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ECONOMIST
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Global currency and bond markets got breather from the recent comments of officials. Federal Reserve's Vice Chairman Michael Barr spoke of SVB's crisis being an isolated one. In the Senate hearing, major officials spoke of tougher regulations for banks with more than US\$ 100bn assets. On the macro front, the US Conf. Board Consumer Confidence rose more than expected to 104.2 (est.: 101) led by improvement in the short term outlook. CME Fed watch tool is now pricing a 58.5% probability of pause, down from 61% predicted a day earlier. Yield on US 2Y paper has also risen to 4.1%, as markets are now anticipating that comfort on the banking crisis would again lead Fed to shift its focus on inflation. In India as well, government has asked state run banks to come up with robust stress testing.

- Global stocks ended mixed. Despite easing concerns over the banking crisis, US stocks ended lower amidst losses in technology shares. Stronger than expected increase in US consumer confidence also failed to lift investor sentiments. On the other hand, stocks in Hong Kong, Japan and UK ended higher. Sensex fell by 0.1% amidst losses in real estate and power stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	27-03-2023	28-03-2023	% change
Dow Jones	32,432	32,394	(0.1)
S & P 500	3,978	3,971	(0.2)
FTSE	7,472	7,484	0.2
Nikkei	27,477	27,518	0.2
Hang Seng	19,568	19,785	1.1
Shanghai Comp	3,251	3,245	(0.2)
Sensex	57,654	57,614	(0.1)
Nifty	16,986	16,952	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies appreciated against the dollar. DXY fell by 0.4%, as US banking sector showed signs of stabilising. Even US trade deficit widened in Feb'23 amidst a decline in exports. GBP gained 0.4% as BoE Governor downplayed any stress in UK banking sector. INR appreciated by 0.2%. However it is trading a tad weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	27-03-2023	28-03-2023	% change
EUR/USD (1 EUR / USD)	1.0798	1.0845	0.4
GBP/USD (1 GBP / USD)	1.2287	1.2342	0.4
USD/JPY (JPY / 1 USD)	131.57	130.89	0.5
USD/INR (INR / 1 USD)	82.37	82.19	0.2
USD/CNY (CNY / 1 USD)	6.8820	6.8763	0.1

Source: Bloomberg, Bank of Baroda Research



- Except China (stable), global yields closed higher. UK's 10Y yield rose the most (+9bps), followed by Germany's (+6bps). Investors' sentiments were supported by officials' comments that the ongoing crisis might not have any contagion impact. Even, BoE said that currently there is no incipient stress in the UK banking system. India's 10Y yield rose by 2bps (7.31%). It is trading at 7.33% today.

Fig 3 – Bond 10Y yield

	27-03-2023	28-03-2023	change in bps
US	3.53	3.57	4
UK	3.37	3.46	9
Germany	2.23	2.29	6
Japan	0.32	0.36	4
China	2.86	2.86	0
India	7.30	7.31	2

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

Fig 4 – Short term rates

	27-03-2023	28-03-2023	change in bps
Tbill-91 days	7.03	7.12	9
Tbill-182 days	7.19	7.21	2
Tbill-364 days	7.21	7.26	5
G-Sec 2Y	7.17	7.22	5
SONIA int rate benchmark	4.18	4.18	-
US SOFR	4.80	4.81	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-03-2023	28-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	(0.1)	(0.6)
Reverse repo	0	0	0
Repo	0.6	0.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-03-2023	27-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(69.5)	(47.1)	22.4
Debt	107.7	28.6	(79.1)
Equity	(177.1)	(75.6)	101.5
Mutual funds (Rs cr)	1,621.4	1,461.5	(159.9)
Debt	(376.1)	(254.9)	121.2
Equity	1,997.5	1,716.4	(281.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 23 Mar 2023 and 24 Mar 2023

- Global oil prices rose by 0.7% amidst supply concerns, as exports from Iraq's Kurdistan region were halted.

Fig 7 – Commodities

	27-03-2023	28-03-2023	% change
Brent crude (US\$/bbl)	78.1	78.7	0.7
Gold (US\$/ Troy Ounce)	1,956.7	1,973.5	0.9
Copper (US\$/ MT)	8,951.3	8,968.3	0.2
Zinc (US\$/MT)	2,944.0	2,971.7	0.9
Aluminium (US\$/MT)	2,363.5	2,389.0	1.1

Source: Bloomberg, Bank of Baroda Research



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