

MORNING MOCHA

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ECONOMIST
Jahnvi

Global markets reacted to increase in US initial jobless claims for the week ending 4 Feb 2023 by 13k to 196k, from 183k in the previous week. While this could signal a slowdown in the economy, investors still await data on US inflation (due next week), to gauge Fed's future trajectory. So far, Fed officials have maintained their stance that rates will be kept elevated to bring inflation substantially down. Separately, in China, CPI inched up (2.1% in Jan'23 versus 1.8% in Dec'22), owing to seasonal factors (Lunar New Year pushed prices up for air tickets, and recreational activities). However PPI continues to decline (-0.8% versus -0.7%), indicating that domestic demand is yet to gain momentum.

- Barring markets in US and Japan (lower), other global indices ended higher. S&P 500 fell the most followed by Dow Jones. Investor sentiments were impacted by layoff report from some more tech giants and rise in initial jobless claims. Markets in Europe were lifted by positive earnings reports. Sensex also climbed higher driven by gains in tech and capital goods stocks. However, it is trading lower today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

| | 8-02-2023 | 9-02-2023 | % change |
|---------------|-----------|-----------|----------|
| Dow Jones | 33,949 | 33,700 | (0.7) |
| S & P 500 | 4,118 | 4,082 | (0.9) |
| FTSE | 7,885 | 7,911 | 0.3 |
| Nikkei | 27,606 | 27,584 | (0.1) |
| Hang Seng | 21,284 | 21,624 | 1.6 |
| Shanghai Comp | 3,232 | 3,270 | 1.2 |
| Sensex | 60,664 | 60,806 | 0.2 |
| Nifty | 17,872 | 17,893 | 0.1 |

Source: Bloomberg, Bank of Baroda Research

- Barring INR and JPY, other global currencies are trading higher. DXY declined by 0.2% ahead of the inflation data due next week and concerns around growth slowdown. US jobless claims rose and added to the concerns. JPY weakened amidst reports of Japanese government's plans of announcing new BoJ governor nominee. INR ended flat. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 8-02-2023 | 9-02-2023 | % change |
|-----------------------|-----------|-----------|----------|
| EUR/USD (1 EUR / USD) | 1.0712 | 1.0740 | 0.3 |
| GBP/USD (1 GBP / USD) | 1.2072 | 1.2121 | 0.4 |
| USD/JPY (JPY / 1 USD) | 131.40 | 131.59 | (0.1) |
| USD/INR (INR / 1 USD) | 82.49 | 82.52 | 0 |
| USD/CNY (CNY / 1 USD) | 6.7921 | 6.7864 | 0.1 |

Source: Bloomberg, Bank of Baroda Research



- Global yields ended mixed. Uncertainty over the trajectory of Fed rate hike path kept the investors on the edge. Inverted yield curve steepened and added to the concerns. US 10Y yields climbed higher by 5bps. On the other hand, Germany's 10Y yield slipped by 6bps after inflation data came in cooler than anticipated (9.2% against est.:10%). India's 10Y yield ended flat and is trading a tad higher at 7.35% today.

Fig 3 – Bond 10Y yield

| | 8-02-2023 | 9-02-2023 | change in bps |
|---------|-----------|-----------|---------------|
| US | 3.61 | 3.66 | 5 |
| UK | 3.31 | 3.29 | (2) |
| Germany | 2.36 | 2.30 | (6) |
| Japan | 0.50 | 0.50 | 0 |
| China | 2.90 | 2.90 | 0 |
| India | 7.34 | 7.34 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 8-02-2023 | 9-02-2023 | change in bps |
|--------------------------|-----------|-----------|---------------|
| Tbill-91 days | 6.65 | 6.66 | 1 |
| Tbill-182 days | 6.98 | 6.99 | 1 |
| Tbill-364 days | 7.03 | 7.03 | 0 |
| G-Sec 2Y | 7.02 | 7.06 | 4 |
| SONIA int rate benchmark | 3.93 | 3.93 | 0 |
| US SOFR | 4.55 | 4.55 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 8-02-2023 | 9-02-2023 | change (Rs tn) |
|-----------------------------------|-----------|-----------|----------------|
| Net Liquidity (-Surplus/+deficit) | 0.1 | 0.1 | 0 |
| Reverse repo | 0.4 | 0.3 | (0.1) |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 7-08-2023 | 8-02-2023 | change (US\$ mn/Rs cr) |
|----------------------|-----------|-----------|------------------------|
| FII (US\$ mn) | (366.5) | (206.1) | 160.4 |
| Debt | (99.6) | (150.9) | (51.2) |
| Equity | (266.9) | (55.2) | 211.7 |
| Mutual funds (Rs cr) | 2,946.4 | 857.4 | (2,089.0) |
| Debt | 1,748.4 | (343.1) | (2,091.5) |
| Equity | 1,198.0 | 1,200.5 | 2.5 |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 3 Feb 2023 and 6 Feb 2023

- Global oil prices fell by 0.7%, as US inventories swell and there emerge risks of global slowdown (US jobless claims, layoffs by tech giants).

Fig 7 – Commodities

| | 8-02-2023 | 9-02-2023 | % change |
|-------------------------|-----------|-----------|----------|
| Brent crude (US\$/bbl) | 85.1 | 84.5 | (0.7) |
| Gold (US\$/ Troy Ounce) | 1,875.5 | 1,861.8 | (0.7) |
| Copper (US\$/ MT) | 8,863.8 | 8,952.2 | 1.0 |
| Zinc (US\$/MT) | 3,167.0 | 3,152.0 | (0.5) |
| Aluminium (US\$/MT) | 2,481.0 | 2,499.0 | 0.7 |

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com