

MORNING MOCHA

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In line with market expectations, US Fed delivered a 25bps rate hike pushing the key policy rate to 4.75-5%. It reiterated its commitment to bringing inflation down to 2% in the long-run and added that “some additional policy firming may be appropriate” to achieve that target. For CY23, projection for real GDP was revised down to 0.4% (0.5% as per Dec’22 projections) and for PCE inflation it was revised up to 3.3% from 3.1% earlier. Investor sentiment was also dampened by Treasury Secretary Yellen’s comment that “blanket insurance” for depositors has not been considered as yet. In UK, CPI in Feb’23 surprised positively (10.4% versus est.: 9.9% and 10.1% in Jan’23) as investors await BoE’s policy decision due today.

- Barring US indices, other global indices ended higher as investors monitored shift in Fed’s outlook as it hiked rates by 25bps and hinted at nearing tightening cycle. On the other hand, Hang Seng climbed up by 1.7% with their monetary authority pointing to low exposure in the ongoing crisis. Sensex too ended in green led by marginal gains in auto and power stocks. However, it is trading lower today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	21-03-2023	22-03-2023	% change
Dow Jones	32,561	32,030	(1.6)
S & P 500	4,003	3,937	(1.6)
FTSE	7,536	7,567	0.4
Nikkei	26,946	27,467	1.9
Hang Seng	19,259	19,591	1.7
Shanghai Comp	3,256	3,266	0.3
Sensex	58,075	58,215	0.2
Nifty	17,108	17,152	0.3

Source: Bloomberg, Bank of Baroda Research| Note: Nikkei was closed on 22.03.2023

- Global currencies ended higher against the dollar. Weakness in dollar was evident (0.9%) as Fed signalled a less hawkish policy amidst the ongoing banking turmoil. Euro rose by 0.8% after ECB chief commented that inflation is still 'too high' given the uncertain environment. INR is trading higher today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	21-03-2023	22-03-2023	% change
EUR/USD (1 EUR / USD)	1.0768	1.0856	0.8
GBP/USD (1 GBP / USD)	1.2217	1.2268	0.4
USD/JPY (JPY / 1 USD)	132.51	131.44	0.8
USD/INR (INR / 1 USD)	82.64	82.67	0
USD/CNY (CNY / 1 USD)	6.8793	6.8700	0.1

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 22.03.2023



- Except yields in China (flat) and US (lower), other global yields rose. 10Y yields in US fell sharply following Fed's rate decision and remarks by treasury secretary Yellen suggesting that "blanket insurance" for US banking deposits has not been discussed yet. In the UK, surprise jump in Feb'23 CPI (10.4% versus est.: 9.9%) just before BoE's rate decision today impacted the 10Y yield. Following global cues, India's 10Y yield is trading lower at 7.30% today.

Fig 3 – Bond 10Y yield

	21-03-2023	22-03-2023	change in bps
US	3.61	3.43	(18)
UK	3.37	3.45	8
Germany	2.29	2.33	4
Japan	0.25	0.33	8
China	2.87	2.86	0
India	7.33	7.33	1

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India| Note: Markets in India were closed on 22.03.2023

Fig 4 – Short term rates

	20-03-2023	21-03-2023	change in bps
Tbill-91 days	6.73	6.78	5
Tbill-182 days	7.21	7.20	(1)
Tbill-364 days	7.20	7.22	2
G-Sec 2Y	7.18	7.21	3
SONIA int rate benchmark	3.93	3.93	0
US SOFR	4.55	4.55	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 22.03.2023

Fig 5 – Liquidity

Rs tn	20-03-2023	21-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.8	1.1	0.3
Reverse repo	0	0	0
Repo	0.8	0.8	0

Source: RBI, Bank of Baroda Research| Note: Markets in India were closed on 22.03.2023

Fig 6 – Capital market flows

	17-03-2023	20-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(119.8)	(204.4)	(119.8)
Debt	86.2	26.6	86.2
Equity	(206.0)	(231.0)	(206.0)
Mutual funds (Rs cr)	1,029.5	203.1	(826.4)
Debt	1,105.4	(148.5)	(1,253.8)
Equity	(75.9)	351.6	427.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 9 Mar 2023 and 10 Mar 2023

- Global oil prices rose by 1.8%, as Fed's rate decision pushed DXY to near 6-week low.

Fig 7 – Commodities

	21-03-2023	22-03-2023	% change
Brent crude (US\$/bbl)	75.3	76.7	1.8
Gold (US\$/ Troy Ounce)	1,940.1	1,970.1	1.5
Copper (US\$/ MT)	8,761.0	8,900.5	1.6
Zinc (US\$/MT)	2,888.0	2,892.3	0.1
Aluminium (US\$/MT)	2,266.5	2,286.5	0.9

Source: Bloomberg, Bank of Baroda Research



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