

MORNING MOCHA

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In line with market expectations, BoE raised its key policy rate by 25bps and reiterated that MPC members believe that there is no urgent need to maintain a faster pace of rate hikes. The bank was also more upbeat about the economic outlook and now expects inflation to come down significantly in Q2CY23, supported by government measures. GDP is also expected to rise slightly in Q2 compared with (-) 0.4% decline anticipated in Feb'23. Separately, Swiss National Bank also raised its key policy rate by 50bps to counter re-emergence of inflationary pressures. In the US, labour market still remains tight (1k decline in weekly jobless claims) and housing sector is seen rebounding in Feb'23 with new home sales making a modest recovery (+640k units versus 633k units in Jan'23).

- Global indices ended mixed as investors monitored the developments around various Central Banks hiking rates in line with US Fed. FTSE dropped the most with banking sector dragging down the indices further, followed by losses in construction and oil and gas stocks. Sensex too ended in red amidst mixed global cues. Real estate and banking stocks declined the most. It is trading flat today while Asian indices are trading lower today.

Fig 1 – Stock markets

	22-03-2023	23-03-2023	% change
Dow Jones	32,030	32,105	0.2
S & P 500	3,937	3,949	0.3
FTSE	7,567	7,500	(0.9)
Nikkei	27,467	27,420	(0.2)
Hang Seng	19,591	20,050	2.3
Shanghai Comp	3,266	3,287	0.6
Sensex	58,215	57,925	(0.5)
Nifty	17,152	17,077	(0.4)

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

- Barring EUR, other global currencies ended higher against the dollar. DXY was back in green after falling for 6-straight session with positive data from US (Decline in weekly jobless claims and improvement in new single-family homes). INR appreciated by 0.5% as oil prices declined. It is trading higher today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	22-03-2023	23-03-2023	% change
EUR/USD (1 EUR / USD)	1.0856	1.0831	(0.2)
GBP/USD (1 GBP / USD)	1.2268	1.2287	0.2
USD/JPY (JPY / 1 USD)	131.44	130.85	0.5
USD/INR (INR / 1 USD)	82.67	82.26	0.5
USD/CNY (CNY / 1 USD)	6.8700	6.8232	0.7

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



- Except yields in China (higher), other global yields fell. 10Y yields in Germany (-13bps) and UK (-9bps) declined the most, followed by US. Global yields reacted to Fed's statement signalling that it may opt for a pause soon. Further, BoE also reaffirmed that inflation is on track to come down sharply in Q2CY23. Following global cues, India's 10Y yield declined a tad by 1bps to 7.33%. It is trading further lower at 7.32% today.

Fig 3 – Bond 10Y yield

	22-03-2023	23-03-2023	change in bps
US	3.43	3.43	(1)
UK	3.45	3.36	(9)
Germany	2.33	2.20	(13)
Japan	0.33	0.32	(1)
China	2.86	2.87	1
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

	21-03-2023	23-03-2023	change in bps
Tbill-91 days	6.78	6.71	(7)
Tbill-182 days	7.20	7.20	0
Tbill-364 days	7.22	7.22	0
G-Sec 2Y	7.21	7.19	(2)
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	21-03-2023	23-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.1	0.4	(0.7)
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

	20-03-2023	21-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(204.4)	102.9	307.3
Debt	26.6	229.2	202.6
Equity	(231.0)	(126.3)	104.7
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 fell by 1%, following the news that US is in no rush to refill its strategic oil reserves, and it may take years to do so.

Fig 7 – Commodities

	22-03-2023	23-03-2023	% change
Brent crude (US\$/bbl)	76.7	75.9	(1.0)
Gold (US\$/ Troy Ounce)	1,970.1	1,993.4	1.2
Copper (US\$/ MT)	8,900.5	9,033.0	1.5
Zinc (US\$/MT)	2,892.3	2,936.0	1.5
Aluminium (US\$/MT)	2,286.5	2,326.0	1.7

Source: Bloomberg, Bank of Baroda Research



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