

## MORNING MOCHA

29 March 2023

ECONOMIST

Dipanwita Mazumdar

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



## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com