

MORNING MOCHA

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ECONOMIST
 Dipanwita Mazumdar

Global macro indicators remained mixed. While China's Official manufacturing PMI reading rose to its highest since Apr'12 to 52.6 in Feb'23 (est.: 50.6), for Japan it fell down to 47.7, the slowest pace in past 2.5 years. For US, the Conference Board Consumer Confidence Index dropped to 102.9 against est.: 108.5, dragged down by muted outlook for income and business conditions in the near term. In Australia, GDP rose less than expected by 0.5% (est.: 0.8%) in Q4CY22. Elsewhere in the Eurozone, inflation reading in France and Spain signalled elevated price pressure. On domestic front, GDP growth for Q3 has come in at 4.4%. The major disappointment is negative growth in manufacturing sector.

- Except Nikkei and Shanghai Comp, other global indices ended lower. US stocks ended lower amidst an unexpected decline in US consumer confidence and a further slowdown in home prices. Nikkei rose by 0.1% supported by gains in technology stocks. Sensex declined by 0.6% led by losses in metal and oil and gas stocks. However, it is trading higher today in line with other Asian stocks, buoyed by positive PMI data from China.

Fig 1 – Stock markets

	27-02-2023	28-02-2023	% change
Dow Jones	32,889	32,657	(0.7)
S & P 500	3,982	3,970	(0.3)
FTSE	7,935	7,876	(0.7)
Nikkei	27,424	27,446	0.1
Hang Seng	19,944	19,786	(0.8)
Shanghai Comp	3,258	3,280	0.7
Sensex	59,288	58,962	(0.6)
Nifty	17,393	17,304	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.2% despite a surprise fall in US consumer confidence index. EUR fell by 0.3% even as inflation in both France and Spain picked up more than expected in Feb'23. INR appreciated by 0.2%. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	27-02-2023	28-02-2023	% change
EUR/USD (1 EUR / USD)	1.0609	1.0576	(0.3)
GBP/USD (1 GBP / USD)	1.2064	1.2022	(0.3)
USD/JPY (JPY / 1 USD)	136.19	136.17	0
USD/INR (INR / 1 USD)	82.85	82.67	0.2
USD/CNY (CNY / 1 USD)	6.9441	6.9356	0.1

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China (stable), global yields closed higher. Germany's 10Y yield rose the most by 7bps ahead of its flash CPI reading, which is expected to



increase by 0.5% in Feb'23, on MoM basis. Even some major economies of Eurozone posted hotter than expected inflation data, posing risks to ECB's future rate outlook. India's 10Y yield rose a tad by 1bps to 7.46%, tracking rising oil prices. It is trading at 7.45% today.

Fig 3 – Bond 10Y yield

	27-02-2023	28-02-2023	change in bps
US	3.91	3.92	1
UK	3.81	3.83	2
Germany	2.58	2.65	7
Japan	0.51	0.51	0
China	2.92	2.92	0
India	7.45	7.46	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-02-2023	28-02-2023	change in bps
Tbill-91 days	6.87	6.89	2
Tbill-182 days	7.22	7.22	0
Tbill-364 days	7.28	7.32	4
G-Sec 2Y	7.28	7.30	2
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	27-02-2023	28-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	(0.2)	0.5
Reverse repo	0	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-02-2023	27-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(202.5)	(203.6)	(1.1)
Debt	(39.0)	(7.2)	31.8
Equity	(163.5)	(196.4)	(32.9)
Mutual funds (Rs cr)	(235.0)	(21.3)	213.7
Debt	(352.2)	(68.8)	283.5
Equity	117.3	47.5	(69.8)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Feb 2023 and 15 Feb 2023

- Global oil prices rose by 1.7%, as optimism over China's demand outlook offset rising US inventories.

Fig 7 – Commodities

	27-02-2023	28-02-2023	% change
Brent crude (US\$/bbl)	82.5	83.9	1.7
Gold (US\$/ Troy Ounce)	1,817.1	1,826.9	0.5
Copper (US\$/ MT)	8,783.0	8,951.0	1.9
Zinc (US\$/MT)	3,016.0	3,030.5	0.5
Aluminium (US\$/MT)	2,363.0	2,373.0	0.4

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com