

MORNING MOCHA

14 March 2023

ECONOMIST

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Global rate hike expectations took a beating prompted by fears of possible financial crisis in the aftermath of the collapse of US bank. Expectation of steep rate hike by Fed has been abandoned with analysts pricing (50% chance) in no rate cut in next week. Global markets continued to tumble yet again even as Fed had announced emergency measures to curtail the risk. Markets remained in panic mode over fears of contagion risk, which was largely downplayed by global heads. Amidst these uncertainties, markets will cue in towards the upcoming US CPI data. Elsewhere in India, headline inflation eased to 6.4% in Feb'23 (6.5% in Jan'23) with core remaining sticky. RBI will raise rates by 25bps with inflation remaining above its upper band for 2nd month in a row.

- Barring Hang Seng and Shanghai Comp, global stocks witnessed sharp losses as investors continued to monitor the aftermath of the collapse of US bank and its implication on the financial market. FTSE dropped the most, hitting a 2-month low. Sensex too ended in deep red (1.5%), on the back of the global cues. Banking and auto stocks suffered the most. However, it is trading higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	10-03-2023	13-03-2023	% change
Dow Jones	31,910	31,819	(0.3)
S & P 500	3,862	3,856	(0.2)
FTSE	7,748	7,549	(2.6)
Nikkei	28,144	27,833	(1.1)
Hang Seng	19,320	19,696	1.9
Shanghai Comp	3,230	3,269	1.2
Sensex	59,135	58,238	(1.5)
Nifty	17,413	17,154	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Except INR (weaker), other global currencies appreciated against the dollar. DXY fell by 0.9% over concerns of a possible systemic crisis stemming from the collapse of US bank. There is a likelihood of possibly no rate cuts in the upcoming Fed policy meet, as per analysts. INR depreciated by 0.1%. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	10-03-2023	13-03-2023	% change
EUR/USD (1 EUR / USD)	1.0643	1.0731	0.8
GBP/USD (1 GBP / USD)	1.2030	1.2183	1.3
USD/JPY (JPY / 1 USD)	135.03	133.21	1.4
USD/INR (INR / 1 USD)	82.05	82.13	(0.1)
USD/CNY (CNY / 1 USD)	6.9172	6.8483	1.0

Source: Bloomberg, Bank of Baroda Research



- Except China (flat), global yields fell sharply. Emergency measures by Fed failed to cool off the investor sentiments in the wake of bank failure. UK 10Y yield fell the most by 27bps, followed by Germany (-25bps) and US (-13bps). Fed is expected to be a lot less aggressive as investors rushed towards safe heaven assets. India's 10Y yield closed lower by 6bps (7.36%). It is trading a tad lower by 1bps today, CPI data for Feb'23 (6.4%), registered moderation.

Fig 3 – Bond 10Y yield

	10-03-2023	13-03-2023	change in bps
US	3.70	3.57	(13)
UK	3.64	3.37	(27)
Germany	2.51	2.26	(25)
Japan	0.41	0.35	(6)
China	2.88	2.88	0
India	7.42	7.36	(6)

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

Fig 4 – Short term rates

	10-03-2023	13-03-2023	change in bps
Tbill-91 days	6.85	6.89	4
Tbill-182 days	7.30	7.20	(10)
Tbill-364 days	7.38	7.29	(9)
G-Sec 2Y	7.37	7.25	(11)
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	10-03-2023	13-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	0	0
Reverse repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	9-03-2023	10-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(198.2)	(304.7)	(106.5)
Debt	(142.9)	(89.6)	53.3
Equity	(55.4)	(215.1)	(159.8)
Mutual funds (Rs cr)	1,037.2	1,013.3	(23.8)
Debt	(420.0)	(328.1)	91.9
Equity	1,457.2	1,341.5	(115.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 2 Mar 2023 and 3 Mar 2023

- Global oil prices tumbled down by 2.4% to US\$ 80.8/bbl amidst uncertainties after the collapse of US bank, raising concerns over financial crisis.

Fig 7 – Commodities

	10-03-2023	13-03-2023	% change
Brent crude (US\$/bbl)	82.8	80.8	(2.4)
Gold (US\$/ Troy Ounce)	1,868.3	1,913.7	2.4
Copper (US\$/ MT)	8,847.0	8,918.3	0.8
Zinc (US\$/MT)	2,954.8	2,969.0	0.5
Aluminium (US\$/MT)	2,313.0	2,333.5	0.9

Source: Bloomberg, Bank of Baroda Research



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