

MORNING MOCHA

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ECONOMIST
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US retail sales increased by 3% in Jan'23 (est. 1.9%) compared with a decline of 1.1% in Dec'22. Manufacturing production also rose by 1% (est. 0.8%) after declining by 0.8% in Dec'22 (MoM). This coupled with the CPI report released earlier, has raised the possibility of higher terminal Fed fund rate. On the other hand, inflation in UK eased to 10.1% in Jan'23 (est. 10.3%) from 11.1% in Dec'22. More importantly, core inflation eased to 5.8% from 6.3%. This has raised the possibility that the BoE may opt for smaller rate hikes going forward. Separately, Japan's trade deficit hit a record high in Jan'23, amidst a sharp slowdown in exports. Unemployment rate in Australia edged up to 3.7%, even as RBA Chief reiterated the need for more rate hikes. In India, trade deficit narrowed sharply amidst a decline in both exports and imports.

- Global indices closed mixed. Investors remained cautious tracking better than expected US retail sales, moderation in UK CPI and ahead of Asian Central Banks' (Indonesia and Philippines) policy decisions. Amongst major indices, Hang Seng fell the most, while FTSE rose sharply. Sensex rose by 0.4%, led by real estate and auto stocks. It is trading higher today, in line with Asian stocks.

Fig 1 – Stock markets

	14-02-2023	15-02-2023	% change
Dow Jones	34,089	34,128	0.1
S & P 500	4,136	4,148	0.3
FTSE	7,954	7,998	0.6
Nikkei	27,603	27,502	(0.4)
Hang Seng	21,114	20,812	(1.4)
Shanghai Comp	3,293	3,280	(0.4)
Sensex	61,032	61,275	0.4
Nifty	17,930	18,016	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies broadly depreciated against the dollar. DXY rose by 0.7% amidst a sharp increase in US retail sales. GBP fell by 1.2% as UK's inflation eased, suggesting smaller rate hikes by BoE. INR depreciated a tad bit. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	14-02-2023	15-02-2023	% change
EUR/USD (1 EUR / USD)	1.0738	1.0689	(0.5)
GBP/USD (1 GBP / USD)	1.2173	1.2030	(1.2)
USD/JPY (JPY / 1 USD)	133.16	134.16	(0.7)
USD/INR (INR / 1 USD)	82.76	82.80	0
USD/CNY (CNY / 1 USD)	6.8279	6.8550	(0.4)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 6bps led by better than expected retail sales data. On the other hand, softening of CPI data in Jan'23 led to a 3bps decline in UK's 10Y yield. India's 10Y yield closed lower by 2bps (7.35%) tracking fall in oil prices. It is trading further lower at 7.34% today.

Fig 3 – Bond 10Y yield

	14-02-2023	15-02-2023	change in bps
US	3.74	3.80	6
UK	3.52	3.49	(3)
Germany	2.44	2.48	4
Japan	0.51	0.51	0
China	2.89	2.89	0
India	7.37	7.35	(2)

Source: Bloomberg, Bank of Baroda Research

- In the latest Rs 290bn TBill auction, cut off yields rose across the board (91 days: +6bps, 182 days: +11bps and 364 days: +10bps).

Fig 4 – Short term rates

	14-02-2023	15-02-2023	change in bps
Tbill-91 days	6.66	6.72	6
Tbill-182 days	7.00	7.10	10
Tbill-364 days	7.12	7.14	2
G-Sec 2Y	7.16	7.17	1
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	14-02-2023	15-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.6	0.2	(0.4)
Reverse repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-02-2023	14-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	272.0	134.7	(137.3)
Debt	91.0	(63.9)	(154.9)
Equity	181.0	198.6	17.6
Mutual funds (Rs cr)	2,946.4	857.4	(2,089.0)
Debt	1,748.4	(343.1)	(2,091.5)
Equity	1,198.0	1,200.5	2.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 3 Feb 2023 and 6 Feb 2023

- Crude oil prices fell by 0.2% tracking movement in US crude storage buildup.

Fig 7 – Commodities

	14-02-2023	15-02-2023	% change
Brent crude (US\$/bbl)	85.6	85.4	(0.2)
Gold (US\$/ Troy Ounce)	1,854.3	1,836.0	(1.0)
Copper (US\$/ MT)	8,921.0	8,826.8	(1.1)
Zinc (US\$/MT)	3,108.3	3,037.0	(2.3)
Aluminium (US\$/MT)	2,408.0	2,384.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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