

MORNING MOCHA

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Global financial sector received a fresh jolt following the release of annual report of Credit Suisse. The report admitted to “material weakness in financial reporting process in CY21 and CY22”. In addition to this, its largest financial backer-Saudi National Bank also announced that it will not provide any additional capital to the bank. Swiss regulators have offered to provide support and the bank has announced it will borrow 50bn Swiss francs (US\$ 54bn) from the central bank of Switzerland under a covered loan facility. The regulator has also reaffirmed that Credit Suisse does meet all the necessary capital liquidity requirements and it stands ready to step in if there is any change in the situation. Separately, in line with expectations, retail sales in the US fell by -0.4% (MoM) in Feb'23 following 3% increase in Jan'23. PPI also fell (-0.1% MoM) unexpectedly (est.: +0.3%).

- Barring markets in Asia (ex-India), other global indices ended lower. FTSE (-3.8%) and Dow Jones fell the most as annual report of Credit Suisse sent jitters through the markets. News of “material weakness” in reporting process and Saudi National Bank’s refusal to give additional capital, raised concerns over bank’s stability. Domestic markets ended in red, dragged by banking, realty and tech stocks. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	14-03-2023	15-03-2023	% change
Dow Jones	32,155	31,875	(0.9)
S & P 500	3,919	3,892	(0.7)
FTSE	7,637	7,344	(3.8)
Nikkei	27,222	27,229	0
Hang Seng	19,248	19,540	1.5
Shanghai Comp	3,245	3,263	0.6
Sensex	57,900	57,556	(0.6)
Nifty	17,043	16,972	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except JPY (higher), other global currencies depreciated against the dollar. DXY jumped 1% as demand for safe haven was driven by renewed concerns of global banking crisis. INR depreciated by 0.1%. Following global cues, it is trading further weaker today, in with other Asian currencies.

Fig 2 – Currencies

	14-03-2023	15-03-2023	% change
EUR/USD (1 EUR / USD)	1.0733	1.0577	(1.5)
GBP/USD (1 GBP / USD)	1.2158	1.2057	(0.8)
USD/JPY (JPY / 1 USD)	134.22	133.42	0.6
USD/INR (INR / 1 USD)	82.49	82.60	(0.1)
USD/CNY (CNY / 1 USD)	6.8735	6.9063	(0.5)

Source: Bloomberg, Bank of Baroda Research



- Apart from Japan (higher) and China (flat), other global yields closed lower. 10Y yields in Germany and US fell the most, followed by UK. Fears of global banking sector crisis sparked by annual report of Credit Suisse, weakness in US retail sales, and unexpected decline in US PPI, impacted investor sentiments. India's 10Y yield fell by 3bps as oil prices declined significantly. It is trading lower at 7.32% today.

Fig 3 – Bond 10Y yield

	14-03-2023	15-03-2023	change in bps
US	3.69	3.45	(23)
UK	3.49	3.32	(17)
Germany	2.42	2.13	(29)
Japan	0.27	0.33	6
China	2.88	2.88	0
India	7.37	7.34	(3)

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

Fig 4 – Short term rates

	14-03-2023	15-03-2023	change in bps
Tbill-91 days	6.85	6.84	(1)
Tbill-182 days	7.22	7.24	2
Tbill-364 days	7.25	7.29	4
G-Sec 2Y	7.19	7.20	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	14-03-2023	15-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	0.5	0.9
Reverse repo	0	0	0
Repo	0.8	0.8	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-03-2023	14-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	405.9	(173.6)	(579.5)
Debt	38.6	94.6	56.0
Equity	367.3	(268.2)	(635.5)
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 declined by 4.9% to US\$ 74/bbl as fresh uncertainties around another banking sector crisis revived the fears of recession.

Fig 7 – Commodities

	14-03-2023	15-03-2023	% change
Brent crude (US\$/bbl)	77.5	73.7	(4.9)
Gold (US\$/ Troy Ounce)	1,904.0	1,918.6	0.8
Copper (US\$/ MT)	8,809.0	8,480.8	(3.7)
Zinc (US\$/MT)	2,925.0	2,876.0	(1.7)
Aluminium (US\$/MT)	2,352.5	2,277.0	(3.2)

Source: Bloomberg, Bank of Baroda Research



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