

## MORNING MOCHA

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Aditi Gupta

IMF has raised the global growth forecast for CY23 to 2.9% from 2.7% estimated earlier. This is on account of strong demand in US and Europe, removal of lockdown in China and easing oil prices. Growth forecast for US, Europe and China was revised up. India's growth forecast was retained. In fact, IMF projects UK to be the only major economy to witness a recession in CY23. Data from China reaffirmed this view, with both manufacturing and services activity rebounding strongly in Jan'23. Official manufacturing PMI rose to 50.1 from 47 in Dec'22. Non-manufacturing PMI jumped more sharply to 54.4 from 41.6 in Dec'22. In Japan, industrial production fell less than expected by -0.1% in Dec'22 (est. -1.2%), while retail sales surprised positively (+3% in Dec'22 versus est. +3%).

- Global indices closed mixed. Investors remained cautious ahead of major central bank policy decisions (Fed: est. 25bps hike; ECB and BoE: est. 50bps hike). Apart from this, contraction in Germany's Q4 GDP and drop in industrial production in South Korea also impacted sentiments. Hang Seng dropped the most, while FTSE and Sensex noted gains. Sensex is trading lower today in line with other Asian stocks, despite better PMI print from China.

**Fig 1 – Stock markets**

	27-01-2023	30-01-2023	% change
Dow Jones	33,978	33,717	(0.8)
S & P 500	4,071	4,018	(1.3)
FTSE	7,765	7,785	0.3
Nikkei	27,383	27,433	0.2
Hang Seng	22,689	22,070	(2.7)
Shanghai Comp	3,265	3,269	0.1
Sensex	59,331	59,500	0.3
Nifty	17,604	17,649	0.3

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat) and CNY (higher), other global currencies depreciated against the dollar. DXY rose for the third straight session as investors await key central bank policies. EUR fell by 0.2% as Germany's GDP declined in Q4CY22. GBP too declined by 0.2%. INR closed flat supported by lower oil prices. However, it is trading lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	27-01-2023	30-01-2023	% change
EUR/USD (1 EUR / USD)	1.0868	1.0851	(0.2)
GBP/USD (1 GBP / USD)	1.2382	1.2352	(0.2)
USD/JPY (JPY / 1 USD)	129.88	130.39	(0.4)
USD/INR (INR / 1 USD)	81.52	81.50	0
USD/CNY (CNY / 1 USD)	6.7845	6.7523	0.5

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. Germany's 10Y yield rose the most by 8bps ahead of ECB's policy decision. Even US 10Y yield rose by 3bps. Market is pricing in a 25bps rate hike with cues about the future trajectory of Fed fund rate. Japan and China's 10Y yield fell by 1bps, in absence of any fresh cues. India's 10Y yield rose by 1bps (7.4%). It is trading lower at 7.37% today.

**Fig 3 – Bond 10Y yield**

	27-01-2023	30-01-2023	change in bps
US	3.50	3.54	3
UK	3.32	3.34	1
Germany	2.24	2.32	8
Japan	0.49	0.48	(1)
China	2.93	2.92	(1)
India	7.39	7.40	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	26-01-2023	27-01-2023	change in bps
Tbill-91 days	6.47	6.47	0
Tbill-182 days	6.83	6.83	0
Tbill-364 days	6.88	6.90	2
G-Sec 2Y	6.96	6.99	3
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	27-01-2023	30-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0	(0.2)
Reverse repo	0.5	0.4	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	25-01-2023	27-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	82.4	(823.7)	(906.1)
Debt	113.8	(71.1)	(185.0)
Equity	(31.4)	(752.5)	(721.1)
Mutual funds (Rs cr)	(997.5)	(1,843.0)	(845.5)
Debt	(1,753.3)	(188.5)	1,564.7
Equity	755.7	(1,654.5)	(2,410.2)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 24 Jan 2023 and 25 Jan 2023

- Global oil prices fell by 2% amidst news reports of adequate supply from Russia despite price cap and EU ban.

**Fig 7 – Commodities**

	27-01-2023	30-01-2023	% change
Brent crude (US\$/bbl)	86.7	84.9	(2.0)
Gold (US\$/ Troy Ounce)	1,928.0	1,923.2	(0.3)
Copper (US\$/ MT)	9,242.2	9,188.4	(0.6)
Zinc (US\$/MT)	3,438.8	3,475.8	1.1
Aluminium (US\$/MT)	2,627.0	2,589.5	(1.4)

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