

MORNING MOCHA

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ECONOMIST
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With rising Covid-19 cases in China, and PPI falling for the 1st time in 2 years, fears of global growth slowdown have increased. In the US, rate hike is showing impact on real estate sector with US mortgage applications down 41% in YoY terms—hovering near 7-year. Average interest rate for 30-year fixed rate mortgage has risen to 7.14% from 7.06% last week. Further, as investors await US midterm election results, there remains a possibility of gridlock in the US Congress, which could potentially stall fiscal programs of the government. US CPI is also due for release later today, and is expected to have cooled down from Sep'22.

- Global indices closed lower ahead of the mixed verdict likely in the US midterm elections resulting in gridlock of key policies. Investors also await US CPI which will direct future trajectory of rate hike. S&P 500 dropped the most followed by Hang Seng (1.5%). Sensex too ended in red and was dragged down by losses in real estate and metal stocks. It is trading further lower today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	8-11-2022	9-11-2022	% change
Dow Jones	33,161	32,514	(2.0)
S & P 500	3,828	3,749	(2.1)
FTSE	7,306	7,296	(0.1)
Nikkei	27,872	27,716	(0.6)
Hang Seng	16,557	16,359	(1.2)
Shanghai Comp	3,064	3,048	(0.5)
Sensex	61,185	61,034	(0.2)
Nifty	18,203	18,157	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022

- Except INR, other global currencies traded lower against the dollar. The greenback rebounded and strengthened by 0.8% ahead of the release of US inflation. Fed in its minutes had highlighted smaller rate hike and hence the focus on inflation front will guide the markets further. INR appreciated by 0.6% and opened lower today. Other Asian currencies are trading mixed.

Fig 2 – Currencies

	8-11-2022	9-11-2022	% change
EUR/USD	1.0074	1.0011	(0.6)
GBP/USD	1.1544	1.1358	(1.6)
USD/JPY	145.68	146.47	(0.5)
USD/INR	81.91	81.43	0.6
USD/CNY	7.2310	7.2410	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022

- Barring Japan and China (flat), other global yields closed lower. 10Y yields of Germany (11bps) and UK (10bps) fell the most. Investors are hoping that



Central Banks will moderate the pace of rate hikes as economy is slowing. US 10Y yield fell by 3bps, awaiting CPI data. Also midterm elections results are being closely watched. India's 10Y yield fell by 5bps to 7.69% and is trading even lower today at 7.37%, following global cues.

Fig 3 – Bond 10Y yield

	8-11-2022	9-11-2022	change in bps
US	4.12	4.09	(3)
UK	3.55	3.46	(10)
Germany	2.28	2.17	(11)
Japan	0.25	0.25	0
China	2.69	2.69	0
India	7.44	7.39	(5)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022

- T-bill rates in RBI's latest auction have seen marginal inch up (3bps-364 day).

Fig 4 – Short term rates

	7-11-2022	9-11-2022	change in bps
Tbill-91 days	6.38	6.46	8
Tbill-182 days	6.71	6.78	7
Tbill-364 days	6.91	6.95	4
G-Sec 2Y	7.15	7.09	(6)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.78	3.78	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022

Fig 5 – Liquidity

Rs tn	7-11-2022	9-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.3)	0.4
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	4-11-2022	7-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	184.5	190.7	6.1
Debt	(9.2)	(45.6)	(36.4)
Equity	193.7	236.2	42.5
Mutual funds (Rs cr)	(872.1)	(575.4)	296.7
Debt	(507.2)	(74.1)	433.0
Equity	(365.0)	(501.3)	(136.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 1 Nov 2022 and 2 Nov 2022

- Crude oil prices fell by another 2.8%, as investors monitor rising Covid-19 cases in China and await US midterm election results.

Fig 7 – Commodities

	8-11-2022	9-11-2022	% change
Brent crude (US\$/bbl)	95.4	92.7	(2.8)
Gold (US\$/ Troy Ounce)	1,712.4	1,706.7	(0.3)
Copper (US\$/ MT)	8,127.5	8,114.3	(0.2)
Zinc (US\$/MT)	2,946.5	2,867.0	(2.7)
Aluminium (US\$/MT)	2,372.0	2,319.0	(2.2)

Source: Bloomberg, Bank of Baroda Research



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