

MORNING MOCHA

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ECONOMIST
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US CPI for Oct'22 fell to a 9-month low of 0.4%, lower than estimated 0.6% and also down from upwardly revised 0.6% in Sep'22. Even in YoY terms, inflation pressure eased and it fell to 7.7% in Oct'22 (est.: 7.9%) from 8.2% in Sep'22. Separately, US jobless claims for the week ending 5 Nov 2022, rose by 7k over the week and reached 225k, running slightly higher than pre-pandemic (2019) weekly average of 218k. Investors now believe that Fed might moderate the pace of rate hikes in the coming months as inflation seems to have peaked. As a result, US and European stock markets rose, DXY fell, oil and gold prices gained.

- Except US and UK indices, other global indices closed lower. Dow Jones surged by 3.7% on the back of softer than expected CPI print (7.7% against an expectation of 7.9%). This also raised hopes of a possible trim down on Fed rate hike. Sensex continued to fall for the second day in a row. Losses in auto and consumer durable stocks pulled the index lower. However, it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	9-11-2022	10-11-2022	% change
Dow Jones	32,514	33,715	3.7
S & P 500	3,749	3,956	5.5
FTSE	7,296	7,375	1.1
Nikkei	27,716	27,446	(1.0)
Hang Seng	16,359	16,081	(1.7)
Shanghai Comp	3,048	3,036	(0.4)
Sensex	61,034	60,614	(0.7)
Nifty	18,157	18,028	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended higher against the dollar. The greenback struggled and declined (2.1%) on the back of softer inflation print, signalling inflation might have peaked. It also added to the possibility of a less aggressive monetary tightening by the US Fed. INR weakened by 0.5% but opened stronger today. Other Asian currencies are trading mixed.

Fig 2 – Currencies

	9-11-2022	10-11-2022	% change
EUR/USD	1.0011	1.0209	2.0
GBP/USD	1.1358	1.1716	3.2
USD/JPY	146.47	140.98	3.9
USD/INR	81.43	81.81	(0.5)
USD/CNY	7.2410	7.1865	0.8

Source: Bloomberg, Bank of Baroda Research

- Barring Japan and China (flat), other global yields closed sharply lower. 10Y yields of US (-28bps), UK (-17bps), and Germany (-16bps) fell the most. Lower



than expected US CPI data and weakness in US labour markets raised hopes that Fed might moderate the pace of rate hikes in its upcoming meetings. India's 10Y yield too fell by 4bps to 7.35% as investors had estimated dip in US CPI and a similar trend is expected in India's CPI (due for release on Monday). It is trading much lower today at 7.25%, following global cues.

Fig 3 – Bond 10Y yield

	9-11-2022	10-11-2022	change in bps
US	4.09	3.81	(28)
UK	3.46	3.29	(17)
Germany	2.17	2.01	(16)
Japan	0.25	0.25	0
China	2.69	2.70	0
India	7.39	7.35	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	9-11-2022	10-11-2022	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

Fig 5 – Liquidity

Rs tn	9-11-2022	10-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.4)	(0.1)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	7-11-2022	9-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	190.7	101.0	(89.7)
Debt	(45.6)	33.9	79.5
Equity	236.2	67.1	(169.2)
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; Markets in India were closed on 8 Nov 22

- Crude oil prices rose by 1.1% as investors digested US CPI inflation data. Weaker US\$ also helped support prices. Gold prices also gained by 2.9%.

Fig 7 – Commodities

	9-11-2022	10-11-2022	% change
Brent crude (US\$/bbl)	92.7	93.7	1.1
Gold (US\$/ Troy Ounce)	1,706.7	1,755.5	2.9
Copper (US\$/ MT)	8,114.3	8,282.5	2.1
Zinc (US\$/MT)	2,867.0	2,899.5	1.1
Aluminium (US\$/MT)	2,319.0	2,327.0	0.3

Source: Bloomberg, Bank of Baroda Research



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