

MORNING MOCHA

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ECONOMIST
Dipanwita Mazumdar

Equity and bond markets witnessed considerable sell off and currencies depreciated. This was driven by concerns of slowdown in the global economy, fear of high levels of inflation in major economies and the resultant policy tightening by major central banks'. IMF and World Bank Chiefs reiterated rising risk of global recession in their recent statement. They further added that the slowdown for advanced economies will be at a sharper pace and rising Fed fund rate will add to debt pressures of developing economies. Chicago Fed official also raised concerns of inflation saying that it is of more persistent nature than thought initially. On domestic front, markets are awaiting the next CPI print for cues on interest rate.

- Global stock rout intensified as US imposed new export control measures against China. Also weighing on investor sentiments was a flare-up in Russia-Ukraine conflict and prospects of rate hikes by the Fed. Hang Seng dropped the most by 3%, followed by Shanghai Comp which was 1.7% lower. Sensex too fell by 0.3%, led by losses in consumer durables and power stocks. It is trading further lower today in line with other Asian stocks.

Fig 1 – Stock markets

	7-10-2022	10-10-2022	% change
Dow Jones	29,297	29,203	(0.3)
S & P 500	3,640	3,612	(0.7)
FTSE	6,991	6,959	(0.5)
Nikkei	27,311	27,116	(0.7)
Hang Seng	17,740	17,217	(3.0)
Shanghai Comp	3,024	2,974	(1.7)
Sensex	58,191	57,991	(0.3)
Nifty	17,315	17,241	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Barring INR (flat), other global currencies depreciated. DXY rose further by 0.3% as investors await US CPI data. In the last four trading sessions alone, DXY has gained 2.8%. CNY depreciated by 0.6% amidst worsening trade relations with the US. GBP declined even as BoE doubled the pace of its emergency gilt buying program. INR was broadly unchanged. It is trading further weaker today in line with other Asian currencies.

Fig 2 – Currencies

	7-10-2022	10-10-2022	% change
EUR/USD	0.9744	0.9702	(0.4)
GBP/USD	1.1086	1.1055	(0.3)
USD/JPY	145.25	145.72	(0.3)
USD/INR	82.33	82.32	0
USD/CNY	7.1160	7.1554	(0.6)

Source: Bloomberg, Bank of Baroda Research



- Barring Japan (stable) and China (lower), other global yields closed higher. UK's 10Y yield rose the most by 23bps as investors still remained cautious of the fiscal credibility. Germany's 10Y yield also rose by 15bps after its Chancellor supported joint EU debt issuance to tackle energy crisis. India's 10Y yield rose by 2bps (7.48%) and is trading a tad higher at 7.49% today.

Fig 3 – Bond 10Y yield

	7-10-2022	10-10-2022	change in bps
US	3.82	3.88	6
UK	4.24	4.47	23
Germany	2.19	2.34	15
Japan	0.25	0.25	0
China	2.75	2.73	(2)
India	7.46	7.48	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	7-10-2022	10-10-2022	change in bps
Tbill-91 days	6.12	6.10	(2)
Tbill-182 days	6.53	6.67	14
Tbill-364 days	6.76	6.86	10
G-Sec 2Y	7.15	7.21	6
SONIA int rate benchmark	2.19	2.19	0
US SOFR	3.04	3.05	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	7-10-2022	10-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	0.1	0.5
Reverse repo	0	0.6	0.6
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	6-10-2022	7-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	88.3	(418.8)	(507.1)
Debt	(3.4)	55.5	58.9
Equity	91.7	(474.3)	(566.0)
Mutual funds (Rs cr)	1,867.3	(576.9)	(2,444.1)
Debt	(448.5)	484.9	933.4
Equity	2,315.8	(1,061.8)	(3,377.6)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 30 Sep 2022 and 3 Oct 2022

- International crude oil prices fell by 1.8% to US\$ 96/bbl, as growth concerns surpassed fears of tighter supply. Gold price also fell by 1.5% as DXY strengthened.

Fig 7 – Commodities

	7-10-2022	10-10-2022	% change
Brent crude (US\$/bbl)	97.9	96.2	(1.8)
Gold (US\$/ Troy Ounce)	1,694.8	1,668.6	(1.5)
Copper (US\$/ MT)	7,507.8	7,637.8	1.7
Zinc (US\$/MT)	3,011.5	2,978.8	(1.1)
Aluminium (US\$/MT)	2,299.0	2,260.0	(1.7)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com