

## MORNING MOCHA

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ECONOMIST  
Aditi Gupta

While retaining its growth forecast for CY22 at 3.2%, IMF cut the global growth forecast for CY23 to 2.7% (2.9% in Jul'22). It cautioned that "the worst is yet to come, and for many people 2023 will feel like a recession". A combination of tightening monetary policy, stubbornly high inflation and food and energy crisis are pushing the economy towards a recession. In UK, volatility returned to the financial markets as BoE Governor announced ending its emergency gilt buying program by Friday, as planned. Investors also remained jittery ahead of US CPI data. Even in India, IMF revised growth forecast for FY23 lower to 6.8% from 7.4% earlier. CPI and IIP data due later in the day will be key watchable for the markets.

- Global indices ended lower as fears of an economic slowdown aggravated, with IMF warning about the risk of possible global recession in CY23. Investors also turned more cautious ahead of US CPI data release. Sensex fell by 1.5%, led by sharp losses in real estate and metal stocks. However, it is trading higher today while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	10-10-2022	11-10-2022	% change
Dow Jones	29,203	29,239	0.1
S & P 500	3,612	3,589	(0.7)
FTSE	6,959	6,885	(1.1)
Nikkei	27,311	27,116	(0.7)
Hang Seng	17,217	16,832	(2.2)
Shanghai Comp	2,974	2,980	0.2
Sensex	57,991	57,147	(1.5)
Nifty	17,241	16,984	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Barring INR (flat) and EUR (higher), other global currencies lost value against the dollar. DXY rose by 0.1% as investors await US CPI data to gauge Fed's next move. GBP fell the most by 0.8% as BoE Governor reiterated that BoE will end the emergency support program as planned. JPY depreciated by 0.1% and languished near a 24-year low. INR ended flat amidst support from RBI. It is trading a tad weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	10-10-2022	11-10-2022	% change
EUR/USD	0.9702	0.9708	0.1
GBP/USD	1.1055	1.0968	(0.8)
USD/JPY	145.72	145.86	(0.1)
USD/INR	82.32	82.33	0
USD/CNY	7.1554	7.1687	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. While 10Y yields in US (7bps) and China's (2bps) ending higher, yields in UK (3bps) and Germany (4bps) edged down. Japan's 10Y yield ended flat. Markets in UK were closely tracking the commentaries by BoE wherein they stated ending the bond-buying programme in the next 3-days. India's 10Y yield fell by 5bps (7.43%) as oil prices eased. It is trading further lower at 7.39% today ahead of CPI data.

**Fig 3 – Bond 10Y yield**

	10-10-2022	11-10-2022	change in bps
US	3.88	3.95	7
UK	4.47	4.44	(3)
Germany	2.34	2.30	(4)
Japan	0.25	0.25	0
China	2.73	2.75	2
India	7.48	7.43	(5)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	10-10-2022	11-10-2022	change in bps
Tbill-91 days	6.10	6.20	10
Tbill-182 days	6.67	6.73	6
Tbill-364 days	6.86	6.92	6
G-Sec 2Y	7.21	7.18	(4)
SONIA int rate benchmark	2.19	2.19	0
US SOFR	3.05	3.05	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	10-10-2022	11-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.1	0
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	7-10-2022	10-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(418.8)	(114.2)	304.6
Debt	55.5	(21.4)	(76.8)
Equity	(474.3)	(92.8)	381.4
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

- Crude oil prices fell by 2% due to concerns over muted demand led by resurgence of Covid-19 cases in China and lower global growth.

**Fig 7 – Commodities**

	10-10-2022	11-10-2022	% change
Brent crude (US\$/bbl)	96.2	94.3	(2.0)
Gold (US\$/ Troy Ounce)	1,668.6	1,666.3	(0.1)
Copper (US\$/ MT)	7,637.8	7,661.3	0.3
Zinc (US\$/MT)	2,978.8	2,945.8	(1.1)
Aluminium (US\$/MT)	2,260.0	2,236.0	(1.1)

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](mailto:chief.economist@bankofbaroda.com)