

MORNING MOCHA

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Global equities and currencies rallied ahead of US CPI print which is expected to moderate slightly to 8% in Aug'22 (8.5% in Jul'22). However, policy makers are expected to continue with their aggressive rate hikes. US futures are already pricing in 75bps rate hike in the coming policy. Germany's IFO institute has revised downward its CY23 growth forecast to -0.3% from 3.5% earlier. Even inflation forecast has been revised upward to 9.3% from 6%. Elsewhere in Japan, PPI rose by 9% (est.: 8.9%). UK's industrial production fell by 0.3%, albeit remaining better than est.: +0.3%. In China, call for more policy support to boost the consumption demand of the economy continued. On domestic front, CPI remained worrisome.

- Global stocks continued their rally amidst an improvement in global risk-sentiment. US stocks rose, ahead of CPI report which is expected to show easing inflationary pressures. FTSE edged up by 1.7% led by gains in banking and mining stocks. Following global cues, Sensex too rose by 0.5%. Real estate and consumer durable stocks were the major gainers. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	09-09-2022	12-09-2022	% change
Dow Jones	32,152	32,381	0.7
S & P 500	4,067	4,110	1.1
FTSE	7,351	7,473	1.7
Nikkei	28,215	28,542	1.2
Hang Seng	18,855	19,362	2.7
Shanghai Comp	3,236	3,262	0.8
Sensex	59,793	60,115	0.5
Nifty	17,833	17,936	0.6

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies registered gains against the dollar. DXY fell by 0.6% as the New York Fed's survey showed a decline in consumers' inflation expectations. JPY fell further even as officials mulled steps to prevent a sharp slide in the exchange rate. EUR gained 0.8% amidst expectations of further rate hikes by ECB. INR appreciated by 0.1%, led by positive FPI inflows. It is trading further stronger today; in line with other Asian currencies.

Fig 2 – Currencies

	09-09-2022	12-09-2022	% change
EUR/USD	1.0042	1.0122	0.8
GBP/USD	1.1589	1.1683	0.8
USD/JPY	142.47	142.84	(0.3)
USD/INR	79.59	79.53	0.1
USD/CNY	6.9576	6.9265	0.4

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 5bps as market has already priced in 75bps rate hike which might be forthcoming. Germany's 10Y yield on the other hand, fell by 4bps amidst worries over contraction in growth. India's 10Y yield rose by 2bps (7.14%), following jump in oil prices and ahead of CPI print. It is trading higher at 7.16% today, as CPI data rose more than expected by 7% (est.: 6.9%) in Aug'22.

Fig 3 – Bond 10Y yield

	09-09-2022	12-09-2022	change in bps
US	3.31	3.36	5
UK	3.10	3.08	(1)
Germany	1.70	1.65	(4)
Japan	0.25	0.25	0
China	2.63	2.64	1
India	7.11	7.14	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	09-09-2022	12-09-2022	change in bps
Tbill-91 days	5.62	5.65	3
Tbill-182 days	6.06	6.06	0
Tbill-364 days	6.32	6.34	2
G-Sec 2Y	6.50	6.61	11
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.28	2.28	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	09-09-2022	12-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(0.6)	0.4
Reverse repo	0.4	0.8	0.4
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	08-09-2022	09-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	333.7	291.8	(42.0)
Debt	(22.3)	6.1	28.4
Equity	356.0	285.7	(70.3)
Mutual funds (Rs cr)	152.6	928.3	775.7
Debt	(107.6)	446.3	553.9
Equity	260.2	482.1	221.9

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 7th and 8th Sep 2022

- Crude oil rose by 1.2% to US\$ 94/bbl as supply concerns persist over Iran's nuclear deal and embargo on Russian oil shipments.

Fig 7 – Commodities

	09-09-2022	12-09-2022	% change
Brent crude (US\$/bbl)	92.8	94.0	1.2
Gold (US\$/ Troy Ounce)	1,716.8	1,724.5	0.4
Copper (US\$/ MT)	7,924.0	8,079.5	2.0
Zinc (US\$/MT)	3,183.0	3,209.8	0.8
Aluminium (US\$/MT)	2,286.0	2,283.0	(0.1)

Source: Bloomberg, Bank of Baroda Research



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