

## MORNING MOCHA

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ECONOMIST  
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US Fed raised rates by an expected 50bps. However, the commentary was much more hawkish with projections of Fed Funds rate at 5.1% in CY23, thus implying another 75bps rate hike. This also effectively rules out the possibility of a Fed pivot next year. Growth projections for CY23 were revised lower while unemployment rate was projected to edge up, signalling a slowdown in the economy. In further signs that global inflation has peaked, CPI in UK eased to 10.7% in Nov'22 (est. 10.9%), from a 41-year high of 11.1%. China's economic woes continued with retail sales, fixed assets investment and industrial production missing estimates in Nov'22. Jobless rate also picked up to 5.7% from 5.5% in Oct'22. Japan recorded a trade deficit for the 16th straight month as imports grew at a faster pace than exports.

- Global equity indices ended mixed tracking US Fed policy decision. Stocks in the US and UK fell in last trading session, as Fed Chair hinted at 'ways to go' in terms of policy rate to control inflation. Asian markets broadly closed higher driven by technology stocks. Sensex rose by 0.2%, led by real estate and metal stocks. However, it is trading lower today in line with other Asian stocks, on account of muted high frequency data in China.

**Fig 1 – Stock markets**

	13-12-2022	14-12-2022	% change
Dow Jones	34,109	33,966	(0.4)
S & P 500	4,020	3,995	(0.6)
FTSE	7,503	7,496	(0.1)
Nikkei	27,955	28,156	0.7
Hang Seng	19,596	19,673	0.4
Shanghai Comp	3,176	3,177	0
Sensex	62,533	62,678	0.2
Nifty	18,608	18,660	0.3

Source: Bloomberg, Bank of Baroda Research

- Except CNY (flat), other global currencies edged up against the dollar. DXY fell by 0.2% as the Fed revised its growth projections for CY23 lower. GBP rose by 0.5% as inflation eased. EUR also gained 0.5% despite a dip in industrial production. INR appreciated by 0.4% amidst positive global cues. However, it is trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	13-12-2022	14-12-2022	% change
EUR/USD (1 EUR / USD)	1.0633	1.0682	0.5
GBP/USD (1 GBP / USD)	1.2366	1.2426	0.5
USD/JPY (JPY / 1 USD)	135.59	135.48	0.1
USD/INR (INR / 1 USD)	82.81	82.45	0.4
USD/CNY (CNY / 1 USD)	6.9517	6.9501	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. While US 10Y yield fell by 2bps, it inched up by 1bps each in Germany and UK. Traders remained cautious tracking Fed policy decision and also awaiting BoE and ECB's policy. UK's inflation print gave slight comfort, falling from its 41-year high aided by cooling fuel prices. China's 10Y yield fell by 4bps, on expectation of more stimulus. India's 10Y yield also fell by 4bps (7.22%) led by lower WPI print. It is trading higher at 7.24% today.

**Fig 3 – Bond 10Y yield**

	13-12-2022	14-12-2022	change in bps
US	3.50	3.48	(2)
UK	3.30	3.32	1
Germany	1.93	1.94	1
Japan	0.25	0.25	0
China	2.93	2.90	(4)
India	7.27	7.22	(4)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	13-12-2022	14-12-2022	change in bps
Tbill-91 days	6.38	6.39	1
Tbill-182 days	6.73	6.74	1
Tbill-364 days	6.85	6.86	1
G-Sec 2Y	6.88	6.85	(3)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.80	3.80	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	13-12-2022	14-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.1)	0.3
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	12-12-2022	13-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	408.7	(390.3)	(799.0)
Debt	(28.8)	(471.1)	(442.4)
Equity	437.5	80.8	(356.6)
Mutual funds (Rs cr)	(85.7)	136.6	222.3
Debt	(69.5)	(569.2)	(499.7)
Equity	(16.2)	705.8	722.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 7 Dec 2022 and 12 Dec 2022

- Crude prices rose by 2.5% to US\$ 83/bbl, as both IEA and OPEC forecast a revival in demand next year.

**Fig 7 – Commodities**

	13-12-2022	14-12-2022	% change
Brent crude (US\$/bbl)	80.7	82.7	2.5
Gold (US\$/ Troy Ounce)	1,810.8	1,807.3	(0.2)
Copper (US\$/ MT)	8,449.3	8,478.3	0.3
Zinc (US\$/MT)	3,346.3	3,261.5	(2.5)
Aluminium (US\$/MT)	2,461.0	2,444.0	(0.7)

Source: Bloomberg, Bank of Baroda Research



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