

MORNING MOCHA

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Global markets reacted to comments from Fed's Christopher Wallace who cautioned the "endpoint" of rates is still "a ways off". He also said that inflation continues to remain high despite the moderation seen in Oct'22. Elsewhere in China, a sharp spike in Covid-19 cases in major cities may deter the government from easing restrictions even as the economic outlook becomes increasingly dim. Recent data showed that China's retail sales fell for the first time since May'22 and industrial production slowed further. In Japan, GDP growth declined by 1.2% against expectation of a 1.2% increase. Inflationary pressures in India eased with both CPI and WPI inflation moderating in Oct'22. Even so, RBI is expected to continue with the rate hikes with a terminal repo rate at ~6.5%.

- Except FTSE and Hang Seng (higher), other global indices closed lower as investors await US PPI report (due later today) and also assessed statements by Fed officials and digested choppy earning results of tech companies. In UK, market participants await budget announcement due later in the week. Sensex too ended in red, dragged down by power, cap goods and consumer durable stocks. It is trading flat today while other Asian stocks are trading lower.

Fig 1 – Stock markets

	11-11-2022	14-11-2022	% change
Dow Jones	33,748	33,537	(0.6)
S & P 500	3,993	3,957	(0.9)
FTSE	7,318	7,385	0.9
Nikkei	28,264	27,963	(1.1)
Hang Seng	17,326	17,620	1.7
Shanghai Comp	3,087	3,083	(0.1)
Sensex	61,795	61,624	(0.3)
Nifty	18,350	18,329	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies depreciated against the dollar. DXY rose by 0.3% amidst hawkish comments from Fed Governor Christopher Wallace. EUR fell by 0.2% even as Euro Area's industrial production rose more than expected. INR depreciated by 0.5% led by global cues. However it has opened stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	11-11-2022	14-11-2022	% change
EUR/USD	1.0347	1.0327	(0.2)
GBP/USD	1.1830	1.1756	(0.6)
USD/JPY	138.81	139.89	(0.8)
USD/INR	80.82	81.26	(0.5)
USD/CNY	7.0973	7.0690	0.4

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. While 10Y yields in US, UK and China rose, yields in Germany and India declined. US Fed officials have hinted that rate hikes should continue. Investors await US PPI data for more cues on inflation trend. In China, rising Covid-19 cases have increased fears of a more severe growth slowdown. India's 10Y yield fell by 2bps to 7.29%, supported by trend in inflation data. It is trading flat today.

Fig 3 – Bond 10Y yield

	11-11-2022	14-11-2022	change in bps
US	3.81	3.85	4
UK	3.36	3.37	1
Germany	2.16	2.15	(1)
Japan	0.24	0.24	0
China	2.74	2.84	10
India	7.31	7.29	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-11-2022	14-11-2022	change in bps
Tbill-91 days	6.45	6.52	7
Tbill-182 days	6.77	6.69	(8)
Tbill-364 days	6.92	6.93	1
G-Sec 2Y	6.95	6.95	0
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	11-11-2022	14-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.7)	0
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-11-2022	11-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(72.0)	897.5	969.4
Debt	(24.5)	39.9	64.4
Equity	(47.4)	857.6	905.0
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

- Crude oil prices declined by 3% to US\$ 93/bbl, as a surge in Covid-19 cases in China's major cities dimmed hopes of relaxation in lockdown restrictions.

Fig 7 – Commodities

	11-11-2022	14-11-2022	% change
Brent crude (US\$/bbl)	96.0	93.1	(3.0)
Gold (US\$/ Troy Ounce)	1,771.2	1,771.4	0
Copper (US\$/ MT)	8,501.9	8,356.0	(1.7)
Zinc (US\$/MT)	3,044.3	3,154.0	3.6
Aluminium (US\$/MT)	2,463.5	2,452.5	(0.4)

Source: Bloomberg, Bank of Baroda Research



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