

## MORNING MOCHA

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ECONOMIST  
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Both ECB and BoE hiked policy rates by 50bps, in line with expectations. Their commentary was fairly hawkish, with the ECB Chief hinting at more rate hikes to keep inflation in check. Further, while ECB cut its growth forecasts, BoE warned of a prolonged recession, aggravating fears of a global slowdown. To add to these woes, economic data from US disappointed. Retail sales fell by 0.6% in Nov'22 MoM, from an increase of 1.3% in Oct'22. Industrial production also declined 0.6% versus an increase of 0.3% in Oct'22. EM central banks in Philippines and Taiwan also hiked rates. In India, trade deficit narrowed sequentially as imports decelerated.

- Global equity indices closed lower. Markets remained worried as major central banks (ECB, BoE and Swiss National Bank) struck a hawkish tone in their recent policy, to control inflation. US stocks fell the most, led by muted high frequency data (retail sales and industrial production). Asian stocks also fared badly as US Commerce department imposed some restrictions on Chinese chipmaker and other companies. Sensex fell by 1.4%, led by technology and metal stocks. However, it is trading lower today in line with other Asian stocks, on account of fear of recession.

**Fig 1 – Stock markets**

	14-12-2022	15-12-2022	% change
Dow Jones	33,966	33,202	(2.2)
S & P 500	3,995	3,896	(2.5)
FTSE	7,496	7,426	(0.9)
Nikkei	28,156	28,052	(0.4)
Hang Seng	19,673	19,369	(1.5)
Shanghai Comp	3,177	3,169	(0.2)
Sensex	62,678	61,799	(1.4)
Nifty	18,660	18,415	(1.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies fell across the board. DXY rose by 0.8% as the Fed projected a higher than expected terminal rate. GBP fell the most by 2% as BoE raised concerns on growth. JPY fell by 1.7% as Japan recorded a trade deficit for the 16<sup>th</sup> straight month. INR depreciated by 0.4%. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	14-12-2022	15-12-2022	% change
EUR/USD (1 EUR / USD)	1.0682	1.0628	(0.5)
GBP/USD (1 GBP / USD)	1.2426	1.2178	(2.0)
USD/JPY (JPY / 1 USD)	135.48	137.78	(1.7)
USD/INR (INR / 1 USD)	82.45	82.75	(0.4)
USD/CNY (CNY / 1 USD)	6.9501	6.9738	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. UK's 10Y yield fell the most by 7bps as traders have anticipated inflation had already peaked in Oct'22 from the policy statement. US 10Y yield fell by 3bps as macro data showed softening economic activity. Germany's 10Y yield on the other hand rose by 14bps as ECB Chief hinted at "more ground to cover, we have longer to go", in terms of rates and inflation. India's 10Y yield rose by 4bps (7.27%). It is trading higher at 7.28% today.

**Fig 3 – Bond 10Y yield**

	14-12-2022	15-12-2022	change in bps
US	3.48	3.45	(3)
UK	3.32	3.24	(7)
Germany	1.94	2.08	14
Japan	0.25	0.26	0
China	2.90	2.92	2
India	7.22	7.27	4

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	14-12-2022	15-12-2022	change in bps
Tbill-91 days	6.39	6.39	0
Tbill-182 days	6.74	6.72	(2)
Tbill-364 days	6.86	6.85	(1)
G-Sec 2Y	6.85	6.86	2
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	14-12-2022	15-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.0)	0.1
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	13-12-2022	14-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(390.3)	14.5	404.8
Debt	(471.1)	(25.7)	445.5
Equity	80.8	40.2	(40.7)
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 8 Dec 2022

- Global commodity prices fell as dollar surged. Fears of a slowdown in global growth also weighed on prices. Crude oil prices slipped by 1.8% to US\$ 81/bbl.

**Fig 7 – Commodities**

	14-12-2022	15-12-2022	% change
Brent crude (US\$/bbl)	82.7	81.2	(1.8)
Gold (US\$/ Troy Ounce)	1,807.3	1,776.9	(1.7)
Copper (US\$/ MT)	8,478.3	8,253.0	(2.7)
Zinc (US\$/MT)	3,261.5	3,180.8	(2.5)
Aluminium (US\$/MT)	2,444.0	2,384.0	(2.5)

Source: Bloomberg, Bank of Baroda Research



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