

## MORNING MOCHA

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In further signs that inflationary pressures in the US may have peaked, US PPI rose less than expected in Oct'22. On a YoY basis, PPI growth eased to a 14-month low of 8% (est. 8.3%) from 8.4% in Sep'22. Investors now expect that the Fed may slowdown the pace of future rate hikes. This put further pressure on the dollar, with DXY falling by 0.2%. Geo-political tensions resurfaced amidst reports that a Russian missile struck Poland. In India, trade deficit widened again in Oct'22, as exports declined sharply on the back of a slowdown in global demand.

- Barring FTSE, other global indices ended higher as investors monitored US PPI which also came in lower than expected after the CPI print. This has raised the possibility that inflation has peaked, raising hopes of less aggressive tightening by Fed. Hang Seng soared by 4.1%, amidst news of US President Biden and China's President Xi meeting at the G-20 summit. Sensex also traded in green led by gains in oil and gas stocks. It is trading lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	14-11-2022	15-11-2022	% change
Dow Jones	33,537	33,593	0.2
S & P 500	3,957	3,992	0.9
FTSE	7,385	7,369	(0.2)
Nikkei	27,963	27,990	0.1
Hang Seng	17,620	18,343	4.1
Shanghai Comp	3,083	3,134	1.6
Sensex	61,624	61,873	0.4
Nifty	18,329	18,403	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies traded higher against the dollar. DXY declined by 0.2% after US PPI (wholesale inflation) rose at a much slower pace. GBP gained by 0.9% ahead of the UK CPI release. INR appreciated by 0.2% supported by FPI flows. It is trading weaker today in line with other Asian currencies.

**Fig 2 – Currencies**

	14-11-2022	15-11-2022	% change
EUR/USD (1 EUR / USD)	1.0327	1.0349	0.2
GBP/USD (1 GBP / USD)	1.1756	1.1865	0.9
USD/JPY (JPY / 1 USD)	139.89	139.28	0.4
USD/INR (INR / 1 USD)	81.26	81.10	0.2
USD/CNY (CNY / 1 USD)	7.0690	7.0455	0.3

Source: Bloomberg, Bank of Baroda Research

- Except Japan (flat), 10Y yields elsewhere closed lower. Lower than expected US PPI boosted expectations that inflation is easing, which may lead to Fed to soften its aggressive stance. US 10Y yield fell the most by 8bps. UK's 10Y



yields also declined by 7bps as investors await CPI data and budget announcement. India's 10Y yield fell by 3bps to 7.26%, supported by a moderation in both CPI and WPI inflation. It is trading higher at 7.28% today.

**Fig 3 – Bond 10Y yield**

	14-11-2022	15-11-2022	change in bps
US	3.85	3.77	(8)
UK	3.37	3.30	(7)
Germany	2.15	2.11	(4)
Japan	0.24	0.25	0
China	2.84	2.83	(2)
India	7.29	7.26	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	14-11-2022	15-11-2022	change in bps
Tbill-91 days	6.52	6.44	(8)
Tbill-182 days	6.69	6.71	2
Tbill-364 days	6.93	6.86	(7)
G-Sec 2Y	6.95	6.92	(3)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.78	3.79	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	14-11-2022	15-11-2022	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**

	11-11-2022	14-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	897.5	378.7	(518.7)
Debt	39.9	10.3	(29.7)
Equity	857.6	368.5	(489.1)
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 rose by 0.8% amidst increased expectation of a slowdown in pace of Fed rate hikes and a decline in US crude stocks.

**Fig 7 – Commodities**

	14-11-2022	15-11-2022	% change
Brent crude (US\$/bbl)	93.1	93.9	0.8
Gold (US\$/ Troy Ounce)	1,771.4	1,778.9	0.4
Copper (US\$/ MT)	8,356.0	8,348.3	(0.1)
Zinc (US\$/MT)	3,154.0	3,128.5	(0.8)
Aluminium (US\$/MT)	2,452.5	2,435.0	(0.7)

Source: Bloomberg, Bank of Baroda Research



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