

MORNING MOCHA

16 September 2022

ECONOMIST
 Dipanwita Mazumdar

Global currencies depreciated while sell off in the bond market continued as market is fully pricing in a 75bps rate hike by Fed in the coming policy. Even probability of 100bps rate hike has risen to 26% against 0% earlier. As a result, gold prices dropped to its lowest since Apr'20, amidst strengthening DXY. On macro data front, US jobless claims fell by 213K against est.: 227K, reflecting tighter labour market conditions. Retail sales on the other hand rose by 0.3%, on MoM basis (est.: -0.1%) supported by falling pump prices. Industrial production fell by 0.2% (est.: 0%) reflecting slowdown in the economy. In China, macro prints (industrial production, YoY: +4.2% versus est.: 3.8%, retail sales, YoY: +5.4% versus est.: 3.3%) remained comparatively better. On domestic front, yields inched up as OIS rates rose on fear of aggressive rate hike by US Fed.

- Global stocks ended mixed. US stocks edged down amidst increased expectations of an aggressive rate hike by Fed. On the other hand, Hang Seng, Nikkei and FTSE ended marginally up. Sensex fell by 0.7% led by a slide in technology and metal stocks. It is trading further lower today, in line with other Asian markets.

Fig 1 – Stock markets

	14-09-2022	15-09-2022	% change
Dow Jones	31,135	30,962	(0.6)
S & P 500	3,946	3,901	(1.1)
FTSE	7,277	7,282	0.1
Nikkei	27,819	27,876	0.2
Hang Seng	18,847	18,930	0.4
Shanghai Comp	3,238	3,200	(1.2)
Sensex	60,347	59,934	(0.7)
Nifty	18,004	17,877	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Except EUR, other global currencies depreciated. DXY rose by 0.1% supported by strong US retail sales data. CNY ended 0.5% lower (after breaching the 7/\$ briefly) amidst growth concerns. JPY too depreciated by 0.3% as Japan's trade deficit surged to a record-high. INR depreciated by 0.3% following global cues. It is trading further weaker today; in line with other Asian currencies.

Fig 2 – Currencies

	14-09-2022	15-09-2022	% change
EUR/USD	0.9981	1.0001	0.2
GBP/USD	1.1539	1.1467	(0.6)
USD/JPY	143.08	143.52	(0.3)
USD/INR	79.44	79.70	(0.3)
USD/CNY	6.9618	6.9946	(0.5)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (stable), global yields closed higher. Investors are cautious ahead of major central bank's policy decision (US Fed, BoE and BoJ) in the coming week. Germany's 10Y yield rose the most (+5bps) followed by US (+4bps). India's 10Y yield rose by 8bps (7.20%), as OIS rates inched up on expectation of faster pace of rate hike by US Fed. It is trading higher at 7.24% today, ahead of the auction.

Fig 3 – Bond 10Y yield

	14-09-2022	15-09-2022	change in bps
US	3.40	3.45	4
UK	3.13	3.17	3
Germany	1.72	1.77	5
Japan	0.26	0.26	0
China	2.67	2.66	0
India	7.12	7.20	8

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	14-09-2022	15-09-2022	change in bps
Tbill-91 days	5.72	5.73	1
Tbill-182 days	6.16	6.17	1
Tbill-364 days	6.39	6.39	0
G-Sec 2Y	6.66	6.65	(1)
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.28	2.27	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	14-09-2022	15-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.5)	0.2
Reverse repo	0.8	0.8	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-09-2022	14-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	672.4	(142.3)	(814.7)
Debt	93.9	30.4	(63.5)
Equity	578.5	(172.7)	(751.2)
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 prices fell sharply by 3.5% to (US\$ 91/bbl) amidst fears of muted demand as IMF and World Bank flagged risks to the growth outlook.

Fig 7 – Commodities

	14-09-2022	15-09-2022	% change
Brent crude (US\$/bbl)	94.1	90.8	(3.5)
Gold (US\$/ Troy Ounce)	1,697.3	1,665.1	(1.9)
Copper (US\$/ MT)	7,893.5	7,848.8	(0.6)
Zinc (US\$/MT)	3,253.8	3,214.0	(1.2)
Aluminium (US\$/MT)	2,270.5	2,307.5	1.6

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com