

## MORNING MOCHA

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On the back of growing inflationary pressure (higher than expected US CPI), market analysts expect a 75bps rate hike by Fed in the next policy meet. Fed officials will be commenting through this week and the same will be closely monitored. BoE governor has also warned of more rate hikes than anticipated. In China, the central bank for the second month in a row continued to maintain loose-monetary policy as it kept rates unchanged, with the objective to keep ample liquidity in the banking system. Dollar index continued to ascent further; gold prices eased.

- Apart from US indices, other global indices ended higher. FTSE closed in green after UK government made a U-turn on the fiscal policy measure. US indices ended in red on the back of hotter than expected US CPI, stoking fears of additional rate hikes by Fed. On the other hand, domestic market gained 1.2% led by banking and IT stocks. However, it is trading lower today in line with other Asian stocks.

**Fig 1 – Stock markets**

	13-10-2022	14-10-2022	% change
Dow Jones	30,039	29,635	(1.3)
S & P 500	3,670	3,583	(2.4)
FTSE	6,850	6,859	0.1
Nikkei	26,237	27,091	3.3
Hang Seng	16,389	16,588	1.2
Shanghai Comp	3,016	3,072	1.8
Sensex	57,235	57,920	1.2
Nifty	17,014	17,186	1.0

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies closed lower. DXY continues to inch higher and rose by 0.8%. Higher than expected inflation in the US has revived fears of continued aggressive rate hikes by Fed. This is estimated to dent global growth prospects. GBP and Yen fell the most. Investors await to see the impact of UK's monetary and fiscal policy decisions, and are hoping BoJ will intervene to stem Yen's decline. INR is trading lower today, in line with Asian currencies.

**Fig 2 – Currencies**

	13-10-2022	14-10-2022	% change
EUR/USD	0.9776	0.9722	(0.6)
GBP/USD	1.1326	1.1172	(1.4)
USD/JPY	147.12	148.67	(1.0)
USD/INR	82.35	82.34	0.0
USD/CNY	7.1695	7.1925	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except Japan (flat) and China (lower), other major global yields closed higher. UK (10bps), US (7bps) and Germany's (6bps) 10Y yields rose the most. BoE's



conclusion of bond-buying program and government's reversal of cut in high income bracket taxes impacted yields in the UK. Additionally, stubbornly high inflation in the US and its impact on retail sales also impacted global investor sentiments. Tracking global cues, India's 10Y yield too rose by 4bps. However, it is trading lower at 7.42% today.

**Fig 3 – Bond 10Y yield**

	13-10-2022	14-10-2022	change in bps
US	3.94	4.02	7
UK	4.20	4.34	14
Germany	2.29	2.35	6
Japan	0.25	0.25	0
China	2.73	2.70	(3)
India	7.42	7.47	4

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	13-10-2022	14-10-2022	change in bps
Tbill-91 days	6.30	6.22	(8)
Tbill-182 days	6.70	6.62	(8)
Tbill-364 days	6.97	6.98	1
G-Sec 2Y	7.18	7.18	0
SONIA int rate benchmark	2.19	2.19	0
US SOFR	3.04	3.04	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	13-10-2022	14-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.0	0.0	0
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	12-10-2022	13-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(29.6)	(137.9)	(108.3)
Debt	13.8	(3.6)	(17.4)
Equity	(43.4)	(134.3)	(90.9)
Mutual funds (Rs cr)	1,867.3	(576.9)	(2,444.1)
Debt	(448.5)	484.9	933.4
Equity	2,315.8	(1,061.8)	(3,377.6)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 30 Sep 2022 and 3 Oct 2022

- International oil prices declined by 3.1% to US\$ 91.6/bbl as concerns of slowdown in global demand accelerated on the back of recession fears.

**Fig 7 – Commodities**

	13-10-2022	14-10-2022	% change
Brent crude (US\$/bbl)	94.6	91.6	(3.1)
Gold (US\$/ Troy Ounce)	1,666.4	1,644.5	(1.3)
Copper (US\$/ MT)	7,665.5	7,652.8	(0.2)
Zinc (US\$/MT)	2,952.3	2,980.5	1.0
Aluminium (US\$/MT)	2,359.5	2,306.0	(2.3)

Source: Bloomberg, Bank of Baroda Research



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