

MORNING MOCHA

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ECONOMIST
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Fed's James Bullard advocated for more rate hikes stating that the rate hikes so far "had only limited effect on observed inflation". Hence policy rates may have to be hiked upto 5%-5.25%. US housing market continued to show signs of stress owing to rising rates, with housing starts falling by 4.2%. Labour market conditions however remained buoyant, with jobless claims remaining near historic lows. UK government announced its budget focussing on fiscal consolidation and tax increases to tame surging inflation. EM central banks continued with policy tightening, with Indonesia and Philippines announcing hikes of 50bps and 75bps respectively.

- Except Dow Jones (flat), other global indices ended lower amidst hawkish commentary by Fed officials. Markets were also cautious monitoring geo-political developments in Europe. Hang Seng (1.2%) dropped the most. Sensex (0.4%) too ended in red led by subdued global cues. It was dragged down by consumer durable and auto stocks. It is trading lower today while other Asian stocks are trading higher.

Fig 1 – Stock markets

	16-11-2022	17-11-2022	% change
Dow Jones	33,554	33,546	0
S & P 500	3,959	3,947	(0.3)
FTSE	7,351	7,347	(0.1)
Nikkei	28,028	27,931	(0.3)
Hang Seng	18,256	18,046	(1.2)
Shanghai Comp	3,120	3,115	(0.1)
Sensex	61,981	61,751	(0.4)
Nifty	18,410	18,344	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower against the dollar. DXY gained by 0.4% after comments from Fed officials pushed back hopes of pivot, with more hikes likely forthcoming. GBP dropped after the government unveiled its fiscal plan of higher taxes and spending cuts. INR depreciated by 0.4% and opened stronger today. Other Asian currencies are trading mixed in the morning session today.

Fig 2 – Currencies

	16-11-2022	17-11-2022	% change
EUR/USD (1 EUR / USD)	1.0395	1.0362	(0.3)
GBP/USD (1 GBP / USD)	1.1914	1.1864	(0.4)
USD/JPY (JPY / 1 USD)	139.50	140.20	(0.5)
USD/INR (INR / 1 USD)	81.31	81.63	(0.4)
USD/CNY (CNY / 1 USD)	7.0982	7.1578	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Except China and Japan, other global yields edged up. US 10Y yield edged up the most by 8bps amidst hawkish comments from Fed's James Bullard. UK's



10Y yield also jumped up by 5bps after the budget announcement. On the other hand, China's bond yields fell by 4bps. India's 10Y yield rose a tad by 1bps to 7.28%. It is trading further higher at 7.29% today.

Fig 3 – Bond 10Y yield

	16-11-2022	17-11-2022	change in bps
US	3.69	3.77	8
UK	3.15	3.20	5
Germany	2.00	2.02	2
Japan	0.25	0.25	0
China	2.84	2.80	(4)
India	7.27	7.28	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	16-11-2022	17-11-2022	change in bps
Tbill-91 days	6.43	6.38	(5)
Tbill-182 days	6.46	6.62	16
Tbill-364 days	6.88	6.84	(4)
G-Sec 2Y	6.90	6.88	(1)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.80	3.81	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	16-11-2022	17-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.0)	(0.2)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	15-11-2022	16-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	38.3	127.1	88.7
Debt	53.8	122.3	68.5
Equity	(15.5)	4.8	20.3
Mutual funds (Rs cr)	2,043.9	1,128.1	(915.8)
Debt	882.5	159.4	(723.1)
Equity	1,161.4	968.6	(192.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 11 Nov 2022 and 14 Nov 2022

- Global oil prices fell by 3.3% to US\$ 89.8/bbl, amidst demand concerns as Covid-19 cases in China continued to rise. Expectations of aggressive rate hikes by Fed also pushed prices lower.

Fig 7 – Commodities

	16-11-2022	17-11-2022	% change
Brent crude (US\$/bbl)	92.9	89.8	(3.3)
Gold (US\$/ Troy Ounce)	1,773.9	1,760.4	(0.8)
Copper (US\$/ MT)	8,260.8	8,072.3	(2.3)
Zinc (US\$/MT)	3,061.5	2,984.0	(2.5)
Aluminium (US\$/MT)	2,412.0	2,391.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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