

MORNING MOCHA

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Even as concerns of slowdown in Germany kept markets on the edge, the investor sentiment index (ZEW) turned out to be less pessimistic than anticipated (-59.2 from -61.2 in Sep'22). The government has also decided to provide a one-off payment in order to support household and small businesses, struggling due to energy crisis. In US, factory production improved in Sep'22 while the market sentiment for US home builder dropped for 10th consecutive month, raising concerns over divergent impact from US Fed rate hike decision on the economy. In India, Government raised the MSP of Rabi Crops by 2-9%. The impact on inflation remains to be seen.

- Barring Shanghai Comp, other global indices ended in green aided by corporate earnings report from US. Investors are awaiting the release of UK CPI which might further add pressure on BoE to hike rates. Sensex strengthened further led by gains in continued to climb higher (0.8%) led by gains in capital goods and real estate stocks. It is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	17-10-2022	18-10-2022	% change
Dow Jones	30,186	30,524	1.1
S & P 500	3,678	3,720	1.1
FTSE	6,920	6,937	0.2
Nikkei	26,776	27,156	1.4
Hang Seng	16,613	16,915	1.8
Shanghai Comp	3,085	3,081	(0.1)
Sensex	58,411	58,961	0.9
Nifty	17,312	17,487	1.0

Source: Bloomberg, Bank of Baroda Research

- Except EUR (higher) and INR (flat), other currencies closed lower. GBP and JPY fell the most. DXY rose by 0.1%, driven by gains in the stock market. BoJ's policy divergence from other major central banks has led to steep falls in Yen and investors await central bank intervention to support the currency. INR closed flat, however it is trading marginally higher today, while other Asian currencies are closing mixed.

Fig 2 – Currencies

	17-10-2022	18-10-2022	% change
EUR/USD	0.9841	0.9858	0.2
GBP/USD	1.1358	1.1320	(0.3)
USD/JPY	149.04	149.26	(0.1)
USD/INR	82.36	82.36	0
USD/CNY	7.1965	7.2023	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed, with UK's 10Y yield continuing to decline (3bps), US 10Y yield closing flat and Germany's 10Y yield up by 2bps. Investors await UK CPI data. Postponement of release of economic data by China is also being read as a sign sharp slowdown in economy, thus raising fears of weak global demand. India's 10Y yield inched up by 1bps, as hike in MSP for Rabi crops stoked inflation fears. However, it is trading lower at 7.41% today.

Fig 3 – Bond 10Y yield

	17-10-2022	18-10-2022	change in bps
US	4.01	4.01	0
UK	3.98	3.95	(3)
Germany	2.27	2.29	2
Japan	0.26	0.26	0
China	2.70	2.70	0
India	7.41	7.43	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	17-10-2022	18-10-2022	change in bps
Tbill-91 days	6.24	6.35	11
Tbill-182 days	6.60	6.67	7
Tbill-364 days	6.93	6.85	(8)
G-Sec 2Y	7.03	7.08	5
SONIA int rate benchmark	2.18	2.18	0
US SOFR	3.04	3.05	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-10-2022	18-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	(0.3)	(0.2)
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-10-2022	17-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(137.0)	59.5	196.5
Debt	(74.4)	81.8	156.3
Equity	(62.6)	(22.3)	40.2
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 edged lower by 1.7% to US\$ 90/bbl led by higher supply of US crude oil stocks and subdued demand from China.

Fig 7 – Commodities

	17-10-2022	18-10-2022	% change
Brent crude (US\$/bbl)	91.6	90.0	(1.7)
Gold (US\$/ Troy Ounce)	1,650.1	1,652.2	0.1
Copper (US\$/ MT)	7,642.5	7,483.0	(2.1)
Zinc (US\$/MT)	2,889.0	2,879.3	(0.3)
Aluminium (US\$/MT)	2,229.0	2,193.0	(1.6)

Source: Bloomberg, Bank of Baroda Research



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