

## MORNING MOCHA

21 December 2022

ECONOMIST  
**Jahnvi**

Finally leaving the divergence path, BoJ joined the wagon along with other global central banks after it shocked the global market by widening the long term yield control thereby allowing long term rates to rise more. As a result, Bond yields surged multi-year high. Data releases scheduled this week, such as US GDP for Q3, jobs data and consumer spending will drive the market. On the domestic front, RBI in the monthly bulletin stated inflation has eased 'but is certainly not out' and also warned of risks to global growth in the coming year.

- Global indices ended mixed as investors' continued to monitor interest rate outlook and BoJ made surprise changes to its yield curve control tolerance. US and UK indices traded in green, while Nikkei (2.5%) dropped the most followed by Hang Seng (1.3%). Sensex also ended in red and was dragged down by losses in auto and metal stocks. However, it is trading higher today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	19-12-2022	20-12-2022	% change
Dow Jones	32,758	32,850	0.3
S & P 500	3,818	3,822	0.1
FTSE	7,361	7,371	0.1
Nikkei	27,238	26,568	(2.5)
Hang Seng	19,353	19,095	(1.3)
Shanghai Comp	3,107	3,074	(1.1)
Sensex	61,806	61,702	(0.2)
Nifty	18,420	18,385	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring INR (lower), other currencies gained against the dollar. JPY appreciated the most, followed by GBP and CNY. DXY fell by 0.7%. While JPY was supported by central bank action, EUR and GBP gained on account of improving business morale in Germany. INR on the other hand depreciated by 0.1% as oil prices gained marginally. However, it is trading higher today, while other Asian currencies are trading lower.

**Fig 2 – Currencies**

	19-12-2022	20-12-2022	% change
EUR/USD (1 EUR / USD)	1.0607	1.0624	0.2
GBP/USD (1 GBP / USD)	1.2149	1.2183	0.3
USD/JPY (JPY / 1 USD)	136.91	131.73	3.9
USD/INR (INR / 1 USD)	82.70	82.76	(0.1)
USD/CNY (CNY / 1 USD)	6.9797	6.9619	0.3

Source: Bloomberg, Bank of Baroda Research

- Except India (flat), other global bond yields closed higher. 10Y yields in Japan (15bps—multi-year high), Germany (10bps) and US (10bps) rose the most. BoJ



surprised the markets by announcing widening of the yield target band (between -0.5% and +0.5%) and increasing monthly bond buying program to ₹ 9tn from ₹ 7.3tn earlier, thus leading to a sell-off in global bonds on the longer-end. India's yield remained unchanged, and is trading flat even today.

**Fig 3 – Bond 10Y yield**

	19-12-2022	20-12-2022	change in bps
US	3.58	3.68	10
UK	3.50	3.60	9
Germany	2.20	2.30	10
Japan	0.26	0.41	15
China	2.89	2.90	1
India	7.30	7.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	19-12-2022	19-12-2022	change in bps
Tbill-91 days	6.39	6.45	6
Tbill-182 days	6.70	6.75	5
Tbill-364 days	6.88	6.89	1
G-Sec 2Y	6.94	6.95	0
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.32	4.30	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	19-12-2022	20-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.3	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	16-12-2022	19-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(70.9)	(88.1)	(17.3)
Debt	18.2	(71.5)	(89.7)
Equity	(89.0)	(16.6)	72.4
Mutual funds (Rs cr)	(85.7)	136.6	222.3
Debt	(69.5)	(569.2)	(499.7)
Equity	(16.2)	705.8	722.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 7 Dec 2022 and 8 Dec 2022

- Crude oil prices edged up by 0.2% to US\$ 80/bbl after dip in US crude oil inventories and weakness in dollar index. Gold prices continued to trade higher.

**Fig 7 – Commodities**

	19-12-2022	20-12-2022	% change
Brent crude (US\$/bbl)	79.8	80.0	0.2
Gold (US\$/ Troy Ounce)	1,787.6	1,817.9	1.7
Copper (US\$/ MT)	8,303.3	8,333.8	0.4
Zinc (US\$/MT)	3,052.0	3,120.5	2.2
Aluminium (US\$/MT)	2,361.0	2,372.5	0.5

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](mailto:chief.economist@bankofbaroda.com)