

MORNING MOCHA

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ECONOMIST
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Investors gear up for the Fed's minutes scheduled to release later this week in order to gauge the interest rate trajectory after some officials made hawkish comments. China's Central Bank in line with expectation has kept the benchmark rates on hold. Britain's retail sales made some recovery even as UK continues to battle high inflation (41-year high). The demand for safe haven weakened. Commodity prices took a beating on the back of subdued demand from China as tighter restriction were imposed once again.

- Barring US and UK markets, other global indices ended lower. Investors turned their focus ahead of the Fed's minutes and for a possible pivot. Investors also monitored tighter curbs imposed in China to manage Covid-19. Amongst other indices, Shanghai Comp (0.6%) dropped the most. Sensex also ended in red led by losses in auto and oil & gas stocks. It is trading further lower today in line with other Asian stocks.

Fig 1 – Stock markets

	17-11-2022	18-11-2022	% change
Dow Jones	33,546	33,746	0.6
S & P 500	3,947	3,965	0.5
FTSE	7,347	7,386	0.5
Nikkei	27,931	27,900	(0.1)
Hang Seng	18,046	17,993	(0.3)
Shanghai Comp	3,115	3,097	(0.6)
Sensex	61,751	61,663	(0.1)
Nifty	18,344	18,308	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring GBP and CNY (higher), other global currencies ended lower. DXY rose by 0.2% as investors expect Fed to continue on its rate hiking path. GBP was driven by budget announcements and retail sales data. EUR declined the most by 0.4% as Oct'22 inflation came in lower than expected. INR depreciated by 0.1% despite easing oil prices. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	17-11-2022	18-11-2022	% change
EUR/USD (1 EUR / USD)	1.0362	1.0325	(0.4)
GBP/USD (1 GBP / USD)	1.1864	1.1890	0.2
USD/JPY (JPY / 1 USD)	140.20	140.37	(0.1)
USD/INR (INR / 1 USD)	81.63	81.70	(0.1)
USD/CNY (CNY / 1 USD)	7.1578	7.1198	0.5

Source: Bloomberg, Bank of Baroda Research

- Except Germany (lower) and Japan (flat), other global 10Y yields inched up. Yields in US (+6bps) and UK (+4bps) rose the most. Comments from various



Fed officials are indicative that the central bank will maintain its stance on rate hikes. In the UK, investors reacted to budget announced by the FM and retail sales data for Oct'22. India's 10Y yield rose by 3bps to 7.31% following global cues. It is trading marginally lower at 7.30% today.

Fig 3 – Bond 10Y yield

	17-11-2022	18-11-2022	change in bps
US	3.77	3.83	6
UK	3.20	3.24	4
Germany	2.02	2.01	(1)
Japan	0.25	0.25	0
China	2.80	2.83	3
India	7.28	7.31	3

Source: Bloomberg, Bank of Baroda Research Note: US10 Y yield was closed on 11.11.22

Fig 4 – Short term rates

	17-11-2022	18-11-2022	change in bps
Tbill-91 days	6.38	6.38	0
Tbill-182 days	6.62	6.62	0
Tbill-364 days	6.84	6.77	(7)
G-Sec 2Y	6.88	6.89	1
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.81	3.80	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-11-2022	18-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(0.4)	0.6
Reverse repo	0.3	0	(0.3)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	16-11-2022	17-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	127.1	258.1	131.0
Debt	122.3	64.1	(58.2)
Equity	4.8	193.9	189.2
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

- Crude oil prices slid by 2.4% to US\$87/bbl, as supply fears receded. Gold prices too edged lower.

Fig 7 – Commodities

	17-11-2022	18-11-2022	% change
Brent crude (US\$/bbl)	89.8	87.6	(2.4)
Gold (US\$/ Troy Ounce)	1,760.4	1,750.7	(0.6)
Copper (US\$/ MT)	8,072.3	8,042.5	(0.4)
Zinc (US\$/MT)	2,984.0	3,023.0	1.3
Aluminium (US\$/MT)	2,391.0	2,430.0	1.6

Source: Bloomberg, Bank of Baroda Research



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