

MORNING MOCHA

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Concerns over aggressive rate hike by Fed and fears of recession kept markets on edge and pushed global yields higher. Investors also monitored political development in UK after the PM tendered her resignation which was largely anticipated by the markets. Japan's core consumer inflation rose to 8-year high (3% In Sep'22) even as BoJ continues to maintain ultra-low rates to support economy. China's equity market opened in green as the current government leader is expected to seal a 3rd 5-year term in a row.

- Except FTSE and Sensex, other global indices ended lower on the back of hawkish comments by Fed officials. It raised prospects of much longer aggressive policy than was anticipated. Amongst other indices, Hang Seng dropped the most followed by Nikkei (0.9%). However, Sensex contended in green (0.2%) led by gains in oil & gas and power stocks. It is trading higher today in line while other Asian stocks are mixed.

Fig 1 – Stock markets

	19-10-2022	20-10-2022	% change
Dow Jones	30,424	30,334	(0.3)
S & P 500	3,695	3,666	(0.8)
FTSE	6,925	6,944	0.3
Nikkei	27,257	27,007	(0.9)
Hang Seng	16,511	16,280	(1.4)
Shanghai Comp	3,044	3,035	(0.3)
Sensex	59,107	59,203	0.2
Nifty	17,512	17,564	0.3

Source: Bloomberg, Bank of Baroda Research

- Barring JPY, other global currencies rose against the dollar. DXY fell marginally by 0.1%. Risk sentiment improved as US macro data (jobless claims and existing home sales) came in better than expected. INR and CNY gained the most. GBP gained by 0.1% following political developments in UK. However today, INR is trading lower, in line with other Asian currencies.

Fig 2 – Currencies

	19-10-2022	20-10-2022	% change
EUR/USD	0.9773	0.9786	0.1
GBP/USD	1.1219	1.1235	0.1
USD/JPY	149.90	150.15	(0.2)
USD/INR	82.99	82.76	0.3
USD/CNY	7.2287	7.2145	0.2

Source: Bloomberg, Bank of Baroda Research

- Except Japan (flat), other global yields closed higher. US 10Y yield rose further by 9bps to reach 4.23% as Philadelphia Fed president reaffirmed that US Fed will continue hiking rates to cool down the economy and bring inflation lower. UK



and Germany's yields were up by 3bps each as Germany's PPI data shows that input prices continue to inch up, stoking fears of elevated CPI in the region. India's 10Y yield was up by 3bps, following global cues and is trading further up at 7.51% today.

Fig 3 – Bond 10Y yield

	19-10-2022	20-10-2022	change in bps
US	4.13	4.23	9
UK	3.88	3.91	3
Germany	2.38	2.40	3
Japan	0.26	0.26	0
China	2.71	2.72	1
India	7.45	7.48	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-10-2022	20-10-2022	change in bps
Tbill-91 days	6.33	6.35	2
Tbill-182 days	6.73	6.72	(1)
Tbill-364 days	6.91	6.92	1
G-Sec 2Y	7.11	7.11	0
SONIA int rate benchmark	2.18	2.18	0
US SOFR	3.04	3.04	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-10-2022	20-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	0.1	0.2
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-10-2022	19-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	142.0	(30.1)	(172.1)
Debt	37.6	16.1	(21.5)
Equity	104.4	(46.2)	(150.6)
Mutual funds (Rs cr)	(203.0)	2,262.9	2,465.9
Debt	(1,576.2)	977.5	2,553.8
Equity	1,373.2	1,285.4	(87.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Oct 2022 and 17 Oct 2022

- International oil prices ended flat as concerns over elevated inflation was offset by possibility of renewed demand (China may loosen quarantine restrictions). Gold prices edged lower on the back of hawkish comments by Fed officials.

Fig 7 – Commodities

	19-10-2022	20-10-2022	% change
Brent crude (US\$/bbl)	92.4	92.4	0
Gold (US\$/ Troy Ounce)	1,629.4	1,628.0	(0.1)
Copper (US\$/ MT)	7,455.8	7,645.5	2.5
Zinc (US\$/MT)	2,924.3	3,011.0	3.0
Aluminium (US\$/MT)	2,170.5	2,209.5	1.8

Source: Bloomberg, Bank of Baroda Research



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