

MORNING MOCHA

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ECONOMIST

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A rebound in Covid-19 cases in China nudged the authorities to reconsider imposing lockdown restrictions. Oil prices took a sharp fall in the day (closer to Jan'22 levels) after media reports claimed the OPEC + allies will raise the output. However, these claims were later denied by Saudi Arabia. On treasury, the yield curve inversion weighed in on Fed's rate decision which is expected to have an impact on growth. Investors are anticipating a 50bps rate hike in Dec'22 with possible peaking of rates in Jun'23. Fed minutes scheduled to release tomorrow might shed some more light on the same.

- Barring Nikkei, other global indices ended lower. Recent flare up of Covid-19 cases in China, added to concerns around recovery prospects, raising the possibility of strict curbs once again. Amongst other indices, Hang Seng (1.9%) dropped the most. Sensex also ended in red led by subdued global cues. It was dragged down by losses in power and real estate stocks. However, it is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	20-11-2022	21-11-2022	% change
Dow Jones	33,746	33,700	(0.1)
S & P 500	3,965	3,950	(0.4)
FTSE	7,386	7,377	(0.1)
Nikkei	27,900	27,945	0.2
Hang Seng	17,993	17,656	(1.9)
Shanghai Comp	3,097	3,085	(0.4)
Sensex	61,663	61,145	(0.8)
Nifty	18,308	18,160	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower against the US dollar and DXY rose by 0.8%. Demand for safe haven gathered momentum as investors worry about the economic impact of recent surge in Covid-19 cases in China. JPY and EUR fell the most. Following global cues even INR depreciated by 0.2%. However, it is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	20-11-2022	21-11-2022	% change
EUR/USD (1 EUR / USD)	1.0325	1.0242	(0.8)
GBP/USD (1 GBP / USD)	1.1890	1.1823	(0.6)
USD/JPY (JPY / 1 USD)	140.37	142.14	(1.2)
USD/INR (INR / 1 USD)	81.70	81.85	(0.2)
USD/CNY (CNY / 1 USD)	7.1198	7.1653	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed, with yields in UK and Germany falling, in India rising, and closing flat elsewhere. In the US while 10Y closed flat, 2Y yield fell



by 3bps, as investors look forward to signals from Fed minutes. India's 10Y yield rose by 1bps to 7.32% awaiting fresh cues from the US. It is trading further higher at 7.33% today.

Fig 3 – Bond 10Y yield

	20-11-2022	21-11-2022	change in bps
US	3.83	3.83	0
UK	3.24	3.19	(5)
Germany	2.01	1.99	(2)
Japan	0.25	0.25	0
China	2.83	2.83	0
India	7.31	7.32	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-11-2022	21-11-2022	change in bps
Tbill-91 days	6.38	6.40	2
Tbill-182 days	6.62	6.62	0
Tbill-364 days	6.77	6.80	3
G-Sec 2Y	6.89	6.90	1
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.80	3.80	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	18-11-2022	21-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	0.1	0.5
Reverse repo	0	0.5	0.5
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-11-2022	18-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	258.1	81.4	(176.7)
Debt	64.1	48.1	(16.0)
Equity	193.9	33.3	(160.6)
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 slipped marginally after initial media report of higher oil supply by OPEC, however the report was later denied. Gold continued to slide further.

Fig 7 – Commodities

	20-11-2022	21-11-2022	% change
Brent crude (US\$/bbl)	87.6	87.5	(0.2)
Gold (US\$/ Troy Ounce)	1,750.7	1,738.1	(0.7)
Copper (US\$/ MT)	8,042.5	7,840.5	(2.5)
Zinc (US\$/MT)	3,023.0	2,890.3	(4.4)
Aluminium (US\$/MT)	2,430.0	2,379.0	(2.1)

Source: Bloomberg, Bank of Baroda Research



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