

## MORNING MOCHA

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Robust economic data from the US including revision of US GDP for Q3CY22 upwards, lower jobless claims raised likelihood of more rate hikes by Fed. Investors have also begun to contest the possibility of 'hard landing'. Resurgence of Covid-19 cases in China fuelled fears of global slowdown. Against this, hopes of 'Santa Claus rally' also faded. Most of equity indices had ended lower. On domestic front, RBI also highlighted premature pausing of the rates would be costly error at the current juncture as inflation continues to remain a concern.

- Barring Nikkei and Hang Seng, other global indices ended in a sea of red. S&P 500 dropped the most as investors feared that Fed will continue to hike rate more than anticipated as economy is showing signs of resilience (US GDP revised upwards, lower jobless claims). Sensex too ended in red led by subdued global cues, hawkish commentary from MPC minutes. Capital goods and power stocks dragged down the indices further. It is trading lower today in line with other Asian stocks.

**Fig 1 – Stock markets**

	21-12-2022	22-12-2022	% change
Dow Jones	33,376	33,027	(1.0)
S & P 500	3,878	3,822	(1.4)
FTSE	7,497	7,469	(0.4)
Nikkei	26,388	26,508	0.5
Hang Seng	19,160	19,679	2.7
Shanghai Comp	3,068	3,054	(0.5)
Sensex	61,067	60,826	(0.4)
Nifty	18,199	18,127	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Barring JPY and INR (higher), other global currencies fell, with GBP (-0.4%) taking the lead. DXY rose by 0.3%. Less than estimated increase in US jobless claims has raised concerns that Fed will maintain elevated rates for a longer duration. GBP was impacted by more than expected decline in Q3CY22 GDP data. INR on the other hand rose by 0.1%, as oil prices fell. However, it is trading lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	21-12-2022	22-12-2022	% change
EUR/USD (1 EUR / USD)	1.0605	1.0596	(0.1)
GBP/USD (1 GBP / USD)	1.2082	1.2038	(0.4)
USD/JPY (JPY / 1 USD)	132.46	132.35	0.1
USD/INR (INR / 1 USD)	82.82	82.76	0.1
USD/CNY (CNY / 1 USD)	6.9818	6.9854	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (lower), 10Y yields elsewhere closed higher. Germany's 10Y yield rose the most (+5bps), followed by US and UK (+2bps each). Tight labour market conditions in the US is making investors believe that Fed will remain hawkish for a while now. Following global cues and ahead of the weekly RBI auction today, India's yield rose by 3bps. It is trading further higher at 7.32% today.

**Fig 3 – Bond 10Y yield**

	21-12-2022	22-12-2022	change in bps
US	3.66	3.68	2
UK	3.57	3.59	2
Germany	2.31	2.36	5
Japan	0.48	0.40	(8)
China	2.89	2.88	(2)
India	7.29	7.31	3

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	21-12-2022	22-12-2022	change in bps
Tbill-91 days	6.39	6.37	(2)
Tbill-182 days	6.75	6.69	(6)
Tbill-364 days	6.89	6.85	(4)
G-Sec 2Y	6.92	6.94	2
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	21-12-2022	22-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.3	(0.2)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	20-12-2022	21-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	146.3	(102.8)	(249.0)
Debt	(0.9)	(42.4)	(41.6)
Equity	147.1	(60.3)	(207.5)
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 lower by 1.5% to US\$ 81/bbl amidst news resurgence of Covid-19 cases in China and concerns around Arctic storm across US.

**Fig 7 – Commodities**

	21-12-2022	22-12-2022	% change
Brent crude (US\$/bbl)	82.2	81.0	(1.5)
Gold (US\$/ Troy Ounce)	1,814.4	1,792.5	(1.2)
Copper (US\$/ MT)	8,369.5	8,290.5	(0.9)
Zinc (US\$/MT)	3,031.0	2,965.0	(2.2)
Aluminium (US\$/MT)	2,391.5	2,406.0	0.6

Source: Bloomberg, Bank of Baroda Research



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