

## MORNING MOCHA

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ECONOMIST  
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Global Central Banks sprung in action as synchronized monetary tightening was noted across the globe, with other Central Banks catching up to US Fed. Following the rate hike decision by Fed, Bank of England, Indonesia, Norway and Swiss National Bank also hikes rates with the objective to quell high inflation. This pushed global indices on the edge, with sharp losses in bond market. Dollar rallied to a 20-year high. On the domestic front, Rupee (80/\$) weakened to an all-time low led by global cues.

- Global indices ended lower across the board on the back of rate hike spree by global Central Banks. After Fed, BoE too raised rates (+50bps) in their pledge to fight inflation. Amongst other indices, Hang Seng (1.6%) dropped the most followed by FTSE (1.1%). Sensex (0.6%) too continued to edge lower led by banking and real estate stocks. It is trading further lower today, in line with other Asian markets.

**Fig 1 – Stock markets**

	21-09-2022	22-09-2022	% change
Dow Jones	30,184	30,077	(0.4)
S & P 500	3,790	3,758	(0.8)
FTSE	7,238	7,160	(1.1)
Nikkei	27,313	27,154	(0.6)
Hang Seng	18,445	18,148	(1.6)
Shanghai Comp	3,117	3,109	(0.3)
Sensex	59,457	59,120	(0.6)
Nifty	17,718	17,630	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Barring EUR (flat) and JPY (higher), other global currencies fell against the dollar. DXY was up by another 0.6%, supported by jump in treasury yields. Gains in JPY were supported by BoJ's intervention in the forex market (first since 1998), to stem steep fall in Yen, following its decision to remain accommodative. INR fell the most by 1.1% and breached 80/\$ mark. It is trading further lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	21-09-2022	22-09-2022	% change
EUR/USD	0.9837	0.9836	0
GBP/USD	1.1270	1.1261	(0.1)
USD/JPY	144.06	142.39	1.2
USD/INR	79.98	80.87	(1.1)
USD/CNY	7.0502	7.0781	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except JPY (lower), 10Y bond yields surged sharply elsewhere. Yields in US and UK rose the most by 18bps each. As Central Banks across the globe hike



rates aggressively, fears of economic recession have increased, making investors risk-averse. India's 10Y yield rose by 8bps to 7.31%, as RBI is expected to deliver a big rate hike, following Fed's 75bps rate increase. It is trading even higher at 7.44% today.

**Fig 3 – Bond 10Y yield**

	21-09-2022	22-09-2022	change in bps
US	3.53	3.71	18
UK	3.31	3.50	18
Germany	1.89	1.97	7
Japan	0.26	0.24	(2)
China	2.64	2.65	1
India	7.23	7.31	8

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	21-09-2022	22-09-2022	change in bps
Tbill-91 days	5.87	5.86	(1)
Tbill-182 days	6.37	6.39	2
Tbill-364 days	6.63	6.70	7
G-Sec 2Y	6.89	7.00	11
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.26	2.25	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	21-09-2022	22-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	(0.3)	(0.4)
Reverse repo	0.8	0.8	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	20-09-2022	21-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	195.3	(167.3)	(362.6)
Debt	(31.1)	(132.4)	(101.3)
Equity	226.4	(34.9)	(261.3)
Mutual funds (Rs cr)	152.6	928.3	775.7
Debt	(107.6)	446.3	553.9
Equity	260.2	482.1	221.9

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 7<sup>th</sup> and 8<sup>th</sup> Sep 2022

- Crude oil prices inched up by 0.7% to US\$ 90/bbl amidst news of restricted supplies on the back of stalled Iran nuclear agreement and new military mobilisation campaign of Moscow.

**Fig 7 – Commodities**

	21-09-2022	22-09-2022	% change
Brent crude (US\$/bbl)	89.8	90.5	0.7
Gold (US\$/ Troy Ounce)	1,673.9	1,671.2	(0.2)
Copper (US\$/ MT)	7,749.0	7,739.0	(0.1)
Zinc (US\$/MT)	3,112.0	3,122.3	0.3
Aluminium (US\$/MT)	2,202.5	2,228.5	1.2

Source: Bloomberg, Bank of Baroda Research



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