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ECONOMIST
Jahnavi

Dovish signals by Fed pushed global indices higher. Likelihood of not-so aggressive monetary tightening by Fed added to weakness in dollar which is closing in to a 3-month low. Market participants have already priced in 75% possibility of 50bps rate hike in Dec'22 and a pause in the cycle in mid-next year (rate peaking to 5%). Despite a flare-up in Covid-19 cases in China, investors remain hopeful of early recovery. Divergent to global monetary tightening cycle, Turkey's Central Bank reduced rates once again even as prices soared. Separately, Tokyo's CPI (leading indicator for nationwide) rose to a 40-year high to 3.6% in Nov'22 (3.4% in Oct'22).

- Barring Shanghai Comp, other global indices edged higher. US markets were closed due to Thanksgiving holiday. Investors monitored Fed minutes which raised the possibility of slower rate hikes in the coming months. Amongst other indices Sensex climbed to an all-time high (1.2%) supported by global cues. IT and oil and gas stocks led the rally. However, it is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	23-11-2022	24-11-2022	% change
Dow Jones	34,098	34,194	0.3
S & P 500	4,004	4,027	0.6
FTSE	7,465	7,467	0
Nikkei	28,116	28,383	1.0
Hang Seng	17,524	17,661	0.8
Shanghai Comp	3,097	3,089	(0.2)
Sensex	61,511	62,273	1.2
Nifty	18,267	18,484	1.2

Source: Bloomberg, Bank of Baroda Research, Note: US markets were closed on 24.11.2022

- Global currencies traded higher against the dollar, while markets in US were closed for holiday. JPY (0.8%) and GBP (0.5%) gained the most, as probability of a smaller rate hike (50bps) by Fed in its Dec'22 meeting increased. Following global cues, INR too appreciated by 0.3%. However, it is trading marginally lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	23-11-2022	24-11-2022	% change
EUR/USD (1 EUR / USD)	1.0397	1.0410	0.1
GBP/USD (1 GBP / USD)	1.2055	1.2113	0.5
USD/JPY (JPY / 1 USD)	139.60	138.54	0.8
USD/INR (INR / 1 USD)	81.85	81.63	0.3
USD/CNY (CNY / 1 USD)	7.1605	7.1520	0.1

Source: Bloomberg, Bank of Baroda Research, Note: US markets were closed on 24.11.2022

- Global yields closed mixed, with 10Y yield in UK rising the most (+3bps) and that in Germany falling the most (-8bps). While investors in Germany are hoping



for a smaller rate hike by Fed, in UK, rates reacted to a statement by deputy governor of BoE hinting at sustained increase in rates, until inflation is effectively brought under control. Recent budget measures are unlikely to change BoE's stance. India's 10Y yield fell by 3bps to 7.26% and is trading further lower today at 7.25%.

Fig 3 – Bond 10Y yield

	23-11-2022	24-11-2022	change in bps
US	3.76	3.69	(6)
UK	3.01	3.04	3
Germany	1.93	1.85	(8)
Japan	0.25	0.25	0
China	2.80	2.81	2
India	7.29	7.26	(3)

Source: Bloomberg, Bank of Baroda Research, Note: US markets were closed on 24.11.2022

Fig 4 – Short term rates

	23-11-2022	24-11-2022	change in bps
Tbill-91 days	6.44	6.42	(2)
Tbill-182 days	6.74	6.72	(2)
Tbill-364 days	6.82	6.85	3
G-Sec 2Y	6.90	6.86	(4)
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	23-11-2022	24-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.1	0
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-11-2022	22-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(9.0)	(216.3)	(207.3)
Debt	20.0	4.0	(16.0)
Equity	(29.0)	(220.3)	(191.3)
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 a tad to US\$ 85.3/bbl as demand outlook weakened. Higher than expected US gasoline inventories supported the dip. Gold prices continued to climb higher.

Fig 7 – Commodities

	23-11-2022	24-11-2022	% change
Brent crude (US\$/bbl)	85.4	85.3	(0.1)
Gold (US\$/ Troy Ounce)	1,749.7	1,755.2	0.3
Copper (US\$/ MT)	7,962.3	8,003.0	0.5
Zinc (US\$/MT)	2,900.3	2,910.8	0.4
Aluminium (US\$/MT)	2,397.0	2,367.5	(1.2)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com