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Aditi Gupta

US housing market showed signs of stress as high interest rates start to bite. US new home sales fell by 10.9% on a MoM basis, as the average 30-year fixed mortgage rate rose to a 20-year high. On the other hand, trade deficit widened sharply, due to a weakening export momentum. Rising concerns over growth have also led to expectations that the Fed may taper down the pace of rate hikes going forward. Elsewhere, Bank of Canada also slowed down its rate hike to 50bps versus expectation of a 75bps hike. Recent data showed worsening growth-inflation dynamics worldwide. While GDP growth in South Korea slowed down in Q3CY22, CPI inflation in Australia rose to a 32-year high in the same period.

- Global equity indices closed mixed. S&P 500 dropped by 0.7% tracking weaker new home sales data. FTSE on the other hand, firmed up by 0.6% led by healthcare and basic metal stocks and also on expectation of fiscal consolidation from newly elected PM. Asian stocks closed higher led by gains in technology stocks and China's new President's declaration of a solid growth trajectory in the near term. Sensex fell by 0.5% in its last trading session. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

| | 25-10-2022 | 26-10-2022 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 31,837 | 31,839 | 0 |
| S & P 500 | 3,859 | 3,831 | (0.7) |
| FTSE | 7,013 | 7,056 | 0.6 |
| Nikkei | 27,250 | 27,432 | 0.7 |
| Hang Seng | 15,166 | 15,318 | 1.0 |
| Shanghai Comp | 2,976 | 3,000 | 0.8 |
| Sensex* | 59,832 | 59,544 | (0.5) |
| Nifty | 17,731 | 17,656 | (0.4) |

Source: Bloomberg, Bank of Baroda Research | Note: *Markets in India were closed on 26 Oct 2022

- Global currencies gained against the dollar. DXY fell by 1.1% as US home sales declined for the 8th straight month in Sep'22. GBP gained by 1.3% amidst increased expectations of a 100bps rate hike by BoE. EUR also gained 1.2%. In line with other Asian currencies, INR is trading stronger today.

Fig 2 – Currencies

| | 25-10-2022 | 26-10-2022 | % change |
|---------|------------|------------|----------|
| EUR/USD | 0.9966 | 1.0081 | 1.2 |
| GBP/USD | 1.1472 | 1.1625 | 1.3 |
| USD/JPY | 147.93 | 146.37 | 1.1 |
| USD/INR | 82.69 | 82.73 | 0 |
| USD/CNY | 7.2687 | 7.1730 | 1.3 |

Source: Bloomberg, Bank of Baroda Research | Note: *Markets in India were closed on 26 Oct 2022



- Except Japan (stable), global yields closed lower. US 10Y yield fell the most by 10bps as markets are expecting less aggressive pace of rate hike from Fed as macro indicators indicate growth slowdown. UK's 10Y yield fell by 6bps amidst news reports that the Chancellor of the Exchequer is planning to fill a fiscal shortfall of US\$ 41bn through spending cuts. India's 10Y yield fell by 7bps (7.44%) tracking US 10Y yield. It is trading lower at 7.38% today.

Fig 3 – Bond 10Y yield

| | 25-10-2022 | 26-10-2022 | change in bps |
|---------|------------|------------|---------------|
| US | 4.10 | 4.00 | (10) |
| UK | 3.64 | 3.58 | (6) |
| Germany | 2.17 | 2.11 | (6) |
| Japan | 0.26 | 0.25 | 0 |
| China | 2.73 | 2.71 | (2) |
| India | 7.51 | 7.44 | (7) |

Source: Bloomberg, Bank of Baroda Research | Note: *Markets in India were closed on 26 Oct 2022

Fig 4 – Short term rates

| | 25-10-2022 | 26-10-2022 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.36 | 6.30 | (6) |
| Tbill-182 days | 6.83 | 6.78 | (5) |
| Tbill-364 days | 6.92 | 6.90 | (2) |
| G-Sec 2Y | 7.13 | 7.01 | (13) |
| SONIA int rate benchmark | 2.19 | 2.19 | 0 |
| US SOFR | 3.02 | 3.02 | 0 |

Source: Bloomberg, Bank of Baroda Research | Note: *Markets in India were closed on 26 Oct 2022

Fig 5 – Liquidity

| Rs tn | 21-10-2022 | 25-10-2022 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | 0.7 | 1.0 | 0.3 |
| Reverse repo | 0 | 0.1 | 0.1 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research | Note: *Markets in India were closed on 26 Oct 2022

Fig 6 – Capital market flows

| | 20-10-2022 | 21-10-2022 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | 157.9 | 65.5 | (92.4) |
| Debt | (44.9) | (4.1) | 40.8 |
| Equity | 202.8 | 69.6 | (133.2) |
| 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

- Crude oil prices rose by 2.3% to US\$ 95.7/bbl supported by a sharp pickup in US crude exports and a decline in dollar.

Fig 7 – Commodities

| | 25-10-2022 | 26-10-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 93.5 | 95.7 | 2.3 |
| Gold (US\$/ Troy Ounce) | 1,653.2 | 1,664.6 | 0.7 |
| Copper (US\$/ MT) | 7,634.0 | 7,886.0 | 3.3 |
| Zinc (US\$/MT) | 2,944.5 | 2,988.5 | 1.5 |
| Aluminium (US\$/MT) | 2,215.0 | 2,335.0 | 5.4 |

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