

MORNING MOCHA

28 November 2022

ECONOMIST
Dipanwita Mazumdar

Global markets continued to monitor developments in China's economy where protests emerged over Covid-19 restrictions. Elsewhere in Germany, recession fears were re-established with Gfk consumer confidence data falling below its expected (-39.6) level at -40.2. In China, industrial profits fell by 3% on CYTD22 basis down from previous month's drop of 2.3%. Profits for manufacturers were also down by 13.4%. China's central bank reduced RRR by 25bps and injected liquidity of ₹ 500bn, to support the economy. Domestic markets will closely track month end data releases (fiscal, eight core, credit) and GDP data for Q3FY23.

- Global stocks ended mixed as investors assessed the future path of Fed rate hikes and also monitored the Covid-19 situation in China. Both Dow Jones and Shanghai Comp edged up by 0.4% each. On the other hand, Hang Seng and Nikkei fell by 0.5% and 0.4% respectively. Sensex rose marginally to end at a fresh record high. Real estate and auto stocks rose the most. It is trading further higher today while other Asian stocks are trading lower.

Fig 1 – Stock markets

| | 24-11-2022 | 25-11-2022 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 34,194 | 34,347 | 0.4 |
| S & P 500 | 4,027 | 4,026 | 0 |
| FTSE | 7,467 | 7,487 | 0.3 |
| Nikkei | 28,383 | 28,283 | (0.4) |
| Hang Seng | 17,661 | 17,574 | (0.5) |
| Shanghai Comp | 3,089 | 3,102 | 0.4 |
| Sensex | 62,273 | 62,294 | 0 |
| Nifty | 18,484 | 18,513 | 0.2 |

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated against the dollar. JPY fell the most by 0.5%, as core CPI in Tokyo rose to a 40-year high. CNY edged down by 0.2% as Covid-19 cases in China continued to increase at a record pace. INR depreciated by 0.1%. It is trading further weaker today tracking weakness in CNY. Other Asian currencies too remain under pressure.

Fig 2 – Currencies

| | 24-11-2022 | 25-11-2022 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0410 | 1.0395 | (0.1) |
| GBP/USD (1 GBP / USD) | 1.2113 | 1.2092 | (0.2) |
| USD/JPY (JPY / 1 USD) | 138.54 | 139.19 | (0.5) |
| USD/INR (INR / 1 USD) | 81.63 | 81.68 | (0.1) |
| USD/CNY (CNY / 1 USD) | 7.1520 | 7.1650 | (0.2) |

Source: Bloomberg, Bank of Baroda Research

- Except US (lower), global yields closed higher. Germany's 10Y yield rose the most by 12bps as investors remained cautious ahead of the provisional



estimate of CPI data. On the other hand, ECB's Governing Council member (Gabriel Makhlof) hinted at smaller pace of rate hike in CY23. US 10Y yield fell by 2bps post release of Federal Reserve's minutes. India's 10Y yield rose by 4bps to 7.3% as bid to cover ratio of 7.26GS2032 security suggested weak demand. It is trading lower today at 7.27%.

Fig 3 – Bond 10Y yield

| | 24-11-2022 | 25-11-2022 | change in bps |
|---------|------------|------------|---------------|
| US | 3.69 | 3.68 | (2) |
| UK | 3.04 | 3.12 | 8 |
| Germany | 1.85 | 1.97 | 12 |
| Japan | 0.25 | 0.25 | 1 |
| China | 2.81 | 2.84 | 3 |
| India | 7.26 | 7.30 | 4 |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 24-11-2022 | 25-11-2022 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.42 | 6.39 | (3) |
| Tbill-182 days | 6.72 | 6.69 | (3) |
| Tbill-364 days | 6.85 | 6.83 | (2) |
| G-Sec 2Y | 6.86 | 6.86 | 0 |
| SONIA int rate benchmark | 2.93 | 2.93 | 0 |
| US SOFR | 3.80 | 3.79 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 24-11-2022 | 25-11-2022 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | 0.1 | (0.2) | (0.3) |
| Reverse repo | 0.5 | 0.5 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 23-11-2022 | 24-11-2022 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (216.3) | 576.2 | 792.5 |
| Debt | 4.0 | 58.4 | 54.4 |
| Equity | (220.3) | 517.9 | 738.2 |
| 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 fell by 2% to US\$ 83.6/bbl amidst concerns of muted demand. Market is also tracking price cap discussion of Russian oil (US\$ 65-70/bbl) between G7 and EU diplomats.

Fig 7 – Commodities

| | 24-11-2022 | 25-11-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 85.3 | 83.6 | (2.0) |
| Gold (US\$/ Troy Ounce) | 1,755.2 | 1,754.9 | 0 |
| Copper (US\$/ MT) | 8,003.0 | 7,975.0 | (0.3) |
| Zinc (US\$/MT) | 2,910.8 | 2,920.8 | 0.3 |
| Aluminium (US\$/MT) | 2,367.5 | 2,362.5 | (0.2) |

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com