

## MORNING MOCHA

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ECONOMIST  
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US GDP rose more than expected in Q3CY22 to 2.6% (est. +2.3%), ending two consecutive quarters of negative growth. The increase was attributed to an improvement in net exports, even as consumer spending remained weak. ECB increased rates by 75bps. It also said that “substantial progress” has already been made, suggesting that the pace of rate hikes may slow down. On the other hand, BoJ maintained its ultra-dovish policy stance while raising its inflation forecast upwards to 2.9% in FY2022 (from 2.3% earlier). Interestingly, CPI inflation in Tokyo surged to a 33-year high in Oct’22. In India, RBI announced a surprise MPC meet next week as inflation continues to hover above its mandate.

- Global equity indices closed mixed monitoring policy decision of major central banks and macro data releases in US and Germany. S&P 500 fell by 0.6% as durable goods orders showed moderation. In Asian market, only Hang Seng rose by 0.7% supported by technology stocks. Sensex rose by 0.4% supported by real estate and metal stocks. It is trading higher today, while Asian stocks are trading lower following BoJ’s policy decision.

**Fig 1 – Stock markets**

	26-10-2022	27-10-2022	% change
Dow Jones	31,839	32,033	0.6
S & P 500	3,831	3,807	(0.6)
FTSE	7,056	7,074	0.2
Nikkei	27,432	27,345	(0.3)
Hang Seng	15,318	15,428	0.7
Shanghai Comp	3,000	2,983	(0.6)
Sensex	59,544	59,757	0.4
Nifty	17,656	17,737	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY ended 0.8% higher supported by better than expected GDP data. EUR fell by 1.2% as investors expect a dovish pivot from the ECB. INR strengthened by 0.3% despite higher oil prices. It is trading further stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	26-10-2022	27-10-2022	% change
EUR/USD	1.0081	0.9964	(1.2)
GBP/USD	1.1625	1.1565	(0.5)
USD/JPY	146.37	146.29	0.1
USD/INR	82.73	82.50	0.3
USD/CNY	7.1730	7.2290	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Except Japan (stable), global yields closed lower. UK’s 10Y yield fell the most by 17bps amidst expectations of fiscal consolidation. Germany’s 10Y yield also



fell by 15bps as ECB President said that “substantial progress” has already been made in withdrawing stimulus. India’s 10Y yield fell by 3bps (7.41%) tracking global yields. It is trading at 7.40% today.

**Fig 3 – Bond 10Y yield**

	26-10-2022	27-10-2022	change in bps
US	4.00	3.92	(8)
UK	3.58	3.40	(17)
Germany	2.11	1.96	(15)
Japan	0.25	0.26	0
China	2.71	2.70	(1)
India	7.44	7.41	(3)

Source: Bloomberg, Bank of Baroda Research

- In the Rs 220bn TBill auction, cut off yields for 91 days TBill rose by 4bps, while for 182 days and 364 days, it inched down by 2bps each.

**Fig 4 – Short term rates**

	26-10-2022	27-10-2022	change in bps
Tbill-91 days	6.30	6.39	9
Tbill-182 days	6.78	6.71	(7)
Tbill-364 days	6.90	6.87	(3)
G-Sec 2Y	7.01	6.97	(4)
SONIA int rate benchmark	2.19	2.19	0
US SOFR	3.02	3.03	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	25-10-2022	26-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.0	0.5	(0.5)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	21-10-2022	25-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	65.5	47.0	(18.5)
Debt	(4.1)	7.0	11.0
Equity	69.6	40.0	(29.6)
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 further by 1.3% supported by easing fears of recession.

**Fig 7 – Commodities**

	26-10-2022	27-10-2022	% change
Brent crude (US\$/bbl)	95.7	97.0	1.3
Gold (US\$/ Troy Ounce)	1,664.6	1,663.3	(0.1)
Copper (US\$/ MT)	7,886.0	7,838.3	(0.6)
Zinc (US\$/MT)	2,988.5	2,983.0	(0.2)
Aluminium (US\$/MT)	2,335.0	2,287.5	(2.0)

Source: Bloomberg, Bank of Baroda Research



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