

MORNING MOCHA

29 November 2022

ECONOMIST
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Global equity indices broadly inched down as Fed officials (James Bullard and John Williams) hinted that higher rates are likely to prevail in CY23 and CY24 as well, to bring inflation to the targeted level. They also ruled out the possibility of an immediate pause in the hike cycle. Even ECB President also hinted that upside risks to inflation remain, and peak might not be way past. In China, State Council will hold a press briefing about the development in Covid-19 situation where some easing in restrictions is likely. In another development, China's Securities Regulatory Commission announced five measures to support the real estate market. On the macro data front, retail sales data continued to falter both in UK and Japan, indicating weaker demand conditions.

- Global stocks were roiled by unprecedented protests in China against the government's strict Covid-19 policies. Hawkish comments from Fed officials James Bullard and John Williams also kept investors on edge. As a result, global stocks ended lower, with the exception of Indian stocks. Hang Seng fell the most by 1.6%, followed by S&P 500 which shed 1.5%. Bucking the global weakness, Sensex scaled a new high supported by gains in oil&gas and auto stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	25-11-2022	28-11-2022	% change
Dow Jones	34,347	33,849	(1.4)
S & P 500	4,026	3,964	(1.5)
FTSE	7,487	7,474	(0.2)
Nikkei	28,283	28,163	(0.4)
Hang Seng	17,574	17,298	(1.6)
Shanghai Comp	3,102	3,079	(0.7)
Sensex	62,294	62,505	0.3
Nifty	18,513	18,563	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose by 0.7% tracking comments from Fed officials. CNY fell by 0.6% as China continued to grapple with a resurgence in Covid-19 cases and civil unrest. INR closed unchanged. It is trading stronger against the dollar today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	25-11-2022	28-11-2022	% change
EUR/USD (1 EUR / USD)	1.0395	1.0340	(0.5)
GBP/USD (1 GBP / USD)	1.2092	1.1959	(1.1)
USD/JPY (JPY / 1 USD)	139.19	138.95	0.2
USD/INR (INR / 1 USD)	81.68	81.67	0
USD/CNY (CNY / 1 USD)	7.1650	7.2069	(0.6)

Source: Bloomberg, Bank of Baroda Research



- Global closed mixed. Markets remained abreast tracking hawkish comments from few Fed officials, Covid-19 situation in China and benign retail sales print in UK and Japan. While 10Y yield in US, UK and Japan closed stable, in Germany and China it inched up. India's 10Y yield fell by 3bps to 7.27%, tracking moderation in crude prices. It is trading higher at 7.29% today.

Fig 3 – Bond 10Y yield

	25-11-2022	28-11-2022	change in bps
US	3.68	3.68	0
UK	3.12	3.13	0
Germany	1.97	1.99	2
Japan	0.25	0.25	0
China	2.84	2.87	3
India	7.30	7.27	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	25-11-2022	28-11-2022	change in bps
Tbill-91 days	6.39	6.37	(2)
Tbill-182 days	6.69	6.69	0
Tbill-364 days	6.83	6.82	(1)
G-Sec 2Y	6.86	6.86	0
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.79	3.80	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	25-11-2022	28-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	(0.3)	(0.1)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-11-2022	25-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	576.2	132.6	(443.6)
Debt	58.4	45.0	(13.4)
Equity	517.9	87.6	(430.3)
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 edged down by 0.5% (US\$ 83.2) as demand concerns aggravated. Markets also await OPEC+ policy decision due later in the week.

Fig 7 – Commodities

	25-11-2022	28-11-2022	% change
Brent crude (US\$/bbl)	83.6	83.2	(0.5)
Gold (US\$/ Troy Ounce)	1,754.9	1,741.4	(0.8)
Copper (US\$/ MT)	7,975.0	7,935.3	(0.5)
Zinc (US\$/MT)	2,920.8	2,947.5	0.9
Aluminium (US\$/MT)	2,362.5	2,362.5	0

Source: Bloomberg, Bank of Baroda Research



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