

MORNING MOCHA

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ECONOMIST
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Global macro indicators showed signs of stress. Industrial production in Japan (-2.6% against est.: -1.8%) and South Korea (-3.5% against est.: -1%) declined on a sequential basis in Oct'22. Even in China, both manufacturing (48 against est.: 49) and non-manufacturing PMI (46.7 against est.: 48) came in lower than expected and remained in contraction. This clearly reflected the impact of Covid-19 related restrictions in the region. Elsewhere in Germany and Spain, flash CPI showed slight signs of moderation. However, in UK, the BRC shop prices data provided discomfort with regard to inflation. Markets are bracing for Fed Chair's speech for cues on terminal rate and on the domestic front Q3 GDP data will be closely watched.

- Global stocks ended mixed. Stocks in China and Hong Kong surged supported by expectations that the government may soon ease some Covid-19 restrictions. Hang Seng surged by 5.2%, followed by Shanghai Comp which surged 2.3%. US stocks ended mixed awaiting US jobs report and comments from Fed Chair. Sensex continued its bull run and rose by 0.3% to another historic high. Metal and consumer durable stocks rose the most. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	28-11-2022	29-11-2022	% change
Dow Jones	33,849	33,853	0
S & P 500	3,964	3,958	(0.2)
FTSE	7,474	7,512	0.5
Nikkei	28,163	28,028	(0.5)
Hang Seng	17,298	18,205	5.2
Shanghai Comp	3,079	3,150	2.3
Sensex	62,505	62,682	0.3
Nifty	18,563	18,618	0.3

Source: Bloomberg, Bank of Baroda Research

- Except JPY and CNY, other global currencies depreciated against the dollar. DXY was 0.1% higher ahead of Fed Chair's speech scheduled later in the day. CNY edged up by 0.7% amidst hopes of some easing in the strict lockdown measures. INR depreciated by 0.1%. However it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	28-11-2022	29-11-2022	% change
EUR/USD (1 EUR / USD)	1.0340	1.0330	(0.1)
GBP/USD (1 GBP / USD)	1.1959	1.1952	(0.1)
USD/JPY (JPY / 1 USD)	138.95	138.63	0.2
USD/INR (INR / 1 USD)	81.67	81.73	(0.1)
USD/CNY (CNY / 1 USD)	7.2069	7.1593	0.7

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 6bps post hawkish comments from Fed officials (John Williams and James Bullard). Germany's 10Y yield fell by 7bps as moderation in flash CPI data raised hopes of a softer rate cycle in the future. India's 10Y yield rose a tad by 1bps to 7.28% and is trading at the same level today.

Fig 3 – Bond 10Y yield

	28-11-2022	29-11-2022	change in bps
US	3.68	3.74	6
UK	3.13	3.10	(3)
Germany	1.99	1.92	(7)
Japan	0.25	0.25	0
China	2.87	2.91	4
India	7.27	7.28	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	28-11-2022	29-11-2022	change in bps
Tbill-91 days	6.37	6.39	2
Tbill-182 days	6.69	6.70	1
Tbill-364 days	6.82	6.84	2
G-Sec 2Y	6.86	6.87	1
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	28-11-2022	29-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.6)	(0.3)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-11-2022	28-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	132.6	348.1	215.5
Debt	45.0	28.2	(16.8)
Equity	87.6	319.9	232.3
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 0.2% (US\$ 83/bbl) awaiting the US crude stock inventory data.

Fig 7 – Commodities

	28-11-2022	29-11-2022	% change
Brent crude (US\$/bbl)	83.2	83.0	(0.2)
Gold (US\$/ Troy Ounce)	1,741.4	1,749.9	0.5
Copper (US\$/ MT)	7,935.3	8,036.0	1.3
Zinc (US\$/MT)	2,947.5	2,949.5	0.1
Aluminium (US\$/MT)	2,362.5	2,379.5	0.7

Source: Bloomberg, Bank of Baroda Research



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