

MORNING MOCHA

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Global manufacturing activity weakened further as indicated by muted PMI prints in US, Eurozone, Japan and India. As a result, global yields dropped sharply. Nevertheless, investors received some respite after Britain announced scraping of the tax cut plan which had kept markets on the edge last week. RBA hiked rates much lower than anticipated, though it left room open for more rate hike if required. On the domestic front, UNCTAD has revised India's growth lower to 5.7% in 2022 on the back of 'higher financing costs and weaker public expenditures'.

- Global indices ended mixed as concerns of global economic slowdown intensified with weakness in global manufacturing PMI. However, European indices were trading in green after Britain reversed the tax cut plan. Amongst other indices, Sensex (1.1%) dropped the most followed by Hang Seng (0.8%). The decline in domestic market was led by losses in auto and banking stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	30-09-2022	3-10-2022	% change
Dow Jones	28,726	29,491	2.7
S & P 500	3,586	3,678	2.6
FTSE	6,894	6,909	0.2
Nikkei	25,937	26,216	1.1
Hang Seng	17,223	17,080	(0.8)
Shanghai Comp	3,041	3,024	(0.6)
Sensex	57,427	56,789	(1.1)
Nifty	17,094	16,887	(1.2)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies strengthened against the dollar. DXY fell by 0.3% as US ISM manufacturing PMI was lower than expected. GBP rose sharply on news that the UK government is rolling back some tax cuts. JPY gained on the back of comments from Japan's Finance Minister warning against excessive volatility in yen. INR depreciated by 0.6%. However it has opened stronger today while other Asian currencies are trading lower.

Fig 2 – Currencies

	30-09-2022	3-10-2022	% change
EUR/USD	0.9802	0.9826	0.2
GBP/USD	1.1170	1.1323	1.4
USD/JPY	144.74	144.55	0.1
USD/INR	81.35	81.88	(0.6)
USD/CNY	7.1249	7.1160	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. US 10Y yield fell by 19bps to 3.64% as US ISM manufacturing PMI weakened to its lowest since May'20. Even in Germany,



10Y yield fell by 19bps as manufacturing activity remained muted. In UK, reports that the government is likely to reverse some of the previously announced tax cuts drove 10Y yield lower. India's 10Y yield rose by 7bps to a 3-month high of 7.47% amidst rising oil prices. It is trading lower at 7.43% today.

Fig 3 – Bond 10Y yield

	30-09-2022	3-10-2022	change in bps
US	3.83	3.64	(19)
UK	4.09	3.96	(13)
Germany	2.11	1.92	(19)
Japan	0.24	0.25	0
China	2.72	2.75	3
India	7.40	7.47	7

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-09-2022	3-10-2022	change in bps
Tbill-91 days	6.04	5.96	(8)
Tbill-182 days	6.48	6.46	(2)
Tbill-364 days	6.69	6.70	1
G-Sec 2Y	7.09	7.08	(1)
SONIA int rate benchmark	2.19	2.19	0
US SOFR	2.96	2.98	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-09-2022	3-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(1.2)	(0.9)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-09-2022	30-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(570.6)	(497.0)	73.6
Debt	(97.5)	(310.3)	(212.8)
Equity	(473.2)	(186.7)	286.5
Mutual funds (Rs cr)	(1,024.0)	(1,495.2)	(471.2)
Debt	(1,620.8)	(1,382.6)	238.2
Equity	596.8	(112.6)	(709.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 22 and 23 Sep 2022

- International crude oil prices rose by 1% to US\$ 88.9/bbl amidst expectation of output cuts by OPEC+.

Fig 7 – Commodities

	30-09-2022	3-10-2022	% change
Brent crude (US\$/bbl)	88.0	88.9	1.0
Gold (US\$/ Troy Ounce)	1,660.6	1,699.9	2.4
Copper (US\$/ MT)	7,683.3	7,602.5	(1.1)
Zinc (US\$/MT)	3,014.3	2,998.3	(0.5)
Aluminium (US\$/MT)	2,162.0	2,219.5	2.7

Source: Bloomberg, Bank of Baroda Research



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