

MORNING MOCHA

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Showing the impact of a stronger dollar, US exports fell to 7-month low (-0.7%) in Oct'22 while imports rose by 0.6%, leading to widening of the trade deficit. Within imports, while that of industrial supplies, automobiles and parts increased, noticeable decline was seen in consumer goods sector, indicating the impact of increasing interest rates. Elsewhere in Germany (factory orders) and Australia (GDP), macro data delivered positive news. In Germany, orders in Oct'22 rose much more (0.8% MoM) than anticipated (0.1%), following 4% decline in Sep'22, supported by large-scale orders. In Australia, Q3CY22 GDP rose by 5.9% (YoY) versus est.: 6% and up from 3.6% in Q2, supported by consumer spending. However, as China continues to slowdown, headwind to global economy still persist.

- Barring Nikkei and Shanghai Comp (flat), other global indices ended lower. Investors' sentiments grew wary as fears about economic slowdown resurfaced. S&P 500 dropped the most compared with other indices. Sensex too ended in red tracing global cues. Sharp losses were seen in metal and IT stocks. However, it is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	5-12-2022	6-12-2022	% change
Dow Jones	33,947	33,596	(1.0)
S & P 500	3,999	3,941	(1.4)
FTSE	7,568	7,521	(0.6)
Nikkei	27,820	27,886	0.2
Hang Seng	19,518	19,441	(0.4)
Shanghai Comp	3,212	3,213	0
Sensex	62,835	62,626	(0.3)
Nifty	18,701	18,643	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower. Dollar index strengthened by 0.3% after better-than-expected non-manufacturing PMI. Investors turned their focus towards the US CPI and Fed's policy meet scheduled next week. INR depreciated by 1% as oil prices declined sharply. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	5-12-2022	6-12-2022	% change
EUR/USD (1 EUR / USD)	1.0491	1.0467	(0.2)
GBP/USD (1 GBP / USD)	1.2190	1.2133	(0.5)
USD/JPY (JPY / 1 USD)	136.75	137.00	(0.2)
USD/INR (INR / 1 USD)	81.80	82.61	(1.0)
USD/CNY (CNY / 1 USD)	6.9625	6.9950	(0.5)

Source: Bloomberg, Bank of Baroda Research



- Global bond yields closed mixed. While 10Y yields fell in US and Europe, they increased in China and India, while remaining flat in Japan. As US yield curve inversion deepens (a sign of recession), investors are expecting smaller Fed rate hike next week. India's 10Y yield rose by 2bps, awaiting RBI's monetary policy decision. It is trading lower at 7.23% today, following global cues.

Fig 3 – Bond 10Y yield

	5-12-2022	6-12-2022	change in bps
US	3.57	3.53	(4)
UK	3.10	3.08	(3)
Germany	1.88	1.80	(8)
Japan	0.26	0.26	0
China	2.92	2.95	2
India	7.23	7.25	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	5-12-2022	6-12-2022	change in bps
Tbill-91 days	6.31	6.33	2
Tbill-182 days	6.68	6.67	(1)
Tbill-364 days	6.78	6.79	1
G-Sec 2Y	6.81	6.85	4
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.81	3.81	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	5-12-2022	6-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(0.8)	0.7
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	2-12-2022	5-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	155.5	(91.4)	(246.9)
Debt	109.4	18.2	(91.2)
Equity	46.1	(109.6)	(155.7)
Mutual funds (Rs cr)	(268.8)	1,761.8	2,030.6
Debt	(49.7)	1,849.0	1,898.6
Equity	(219.1)	(87.1)	132.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 25 Nov 2022 and 28 Nov 2022

- Crude oil prices fell sharply by 4% and slipped below the US\$ 80/bbl mark for the first time since late Dec'21/early Jan'22 as fears of weak demand increased. China's 6-month low services activity index has further fuelled fears.

Fig 7 – Commodities

	5-12-2022	6-12-2022	% change
Brent crude (US\$/bbl)	82.7	79.4	(4.0)
Gold (US\$/ Troy Ounce)	1,768.7	1,771.0	0.1
Copper (US\$/ MT)	8,348.5	8,384.8	0.4
Zinc (US\$/MT)	3,139.5	3,179.0	1.3
Aluminium (US\$/MT)	2,522.5	2,508.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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