

## MORNING MOCHA

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ECONOMIST  
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Global equities, currencies, and bond yields ended higher. US non-farm payroll data showed 261k jobs were added in Oct'22 (est.: 193k), compared with upwardly revised figure of 315k for Sep'22. More than estimated increase in job additions indicates that US economy is not cooling off as much as expected. However on the other hand, increase in unemployment rate signals impact of rate hikes is beginning to show some impact. Elsewhere, services PMI data for Europe, in particular Germany, shows that economic activity remains weak (46.5 in Oct'22 versus 45 in Sep'22). Even in France services PMI has begun to ease (51.7 versus 52.9). 12-month ahead outlook too has slumped, as energy crisis is expected to deepen as EU's ban on Russian oil imports looms. However, hopes of China loosening Covid-19 restrictions may boost global demand.

- Except Nikkei, other global stocks edged up as US unemployment rate increased, raising hopes that the Fed may soften its rate hike stance. Investors' sentiments were also buoyed by reports that China may relax its Covid zero stance. Hang Seng rose sharply by 5.4%, followed by Shanghai Comp (up by 2.4%). Sensex rose by 0.2% supported by gains in metal stocks. It is trading further higher today, in line with other Asian markets.

**Fig 1 – Stock markets**

	3-11-2022	4-11-2022	% change
Dow Jones	32,001	32,403	1.3
S & P 500	3,720	3,771	1.4
FTSE	7,189	7,335	2.0
Nikkei	27,663	27,200	(1.7)
Hang Seng	15,339	16,161	5.4
Shanghai Comp	2,998	3,071	2.4
Sensex	60,836	60,950	0.2
Nifty	18,053	18,117	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies edged higher against the dollar. DXY fell by 1.8% as US jobs report showed a pickup in unemployment rate. EUR and GBP gained by 2.1% and 2% respectively. INR too appreciated by 0.6%, supported by global cues. It is trading further stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	3-11-2022	4-11-2022	% change
EUR/USD	0.9749	0.9957	2.1
GBP/USD	1.1160	1.1379	2.0
USD/JPY	148.26	146.62	1.1
USD/INR	82.89	82.44	0.6
USD/CNY	7.3015	7.1851	1.6

Source: Bloomberg, Bank of Baroda Research



- Except Japan (steady) and India (lower), global yields closed higher. 10Y yield of Germany rose the most by 5bps followed by China (3bps) and UK (2bps). US labour market data and ECB President's reaffirmation that central bank will tighten faster if inflation remains sticky, impacted investor sentiments. India's 10Y yield fell by 1bps (7.47%) supported by healthy demand at weekly auction. It is trading slightly lower at 7.45% today.

**Fig 3 – Bond 10Y yield**

	3-11-2022	4-11-2022	change in bps
US	4.15	4.16	1
UK	3.52	3.54	2
Germany	2.25	2.30	5
Japan	0.25	0.26	0
China	2.68	2.71	3
India	7.48	7.47	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	3-11-2022	4-11-2022	change in bps
Tbill-91 days	6.44	6.44	0
Tbill-182 days	6.77	6.77	0
Tbill-364 days	6.96	6.97	1
G-Sec 2Y	7.14	7.18	4
SONIA int rate benchmark	2.19	2.93	74
US SOFR	3.05	3.80	75

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	3-11-2022	4-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.9)	(0.7)	0.2
Reverse repo	0.1	0	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	2-11-2022	3-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	120.5	106.5	(14.0)
Debt	(47.6)	12.6	60.2
Equity	168.1	93.9	(74.2)
Mutual funds (Rs cr)	(872.1)	(575.4)	296.7
Debt	(507.2)	(74.1)	433.0
Equity	(365.0)	(501.3)	(136.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 1 Nov 2022 and 2 Nov 2022

- Crude oil prices rose sharply by 4.1%, owing to supply concerns due to looming EU ban on Russian oil and on hopes of easing Covid-19 restrictions by China.

**Fig 7 – Commodities**

	3-11-2022	4-11-2022	% change
Brent crude (US\$/bbl)	94.7	98.6	4.1
Gold (US\$/ Troy Ounce)	1,629.5	1,681.9	3.2
Copper (US\$/ MT)	7,596.0	8,136.0	7.1
Zinc (US\$/MT)	2,737.3	2,893.0	5.7
Aluminium (US\$/MT)	2,264.0	2,355.5	4.0

Source: Bloomberg, Bank of Baroda Research



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