

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Initial jobless claims in the US rose by 29k to 219k (est.: 205k) for the week ended 1 Oct 2022. A part of the increase has been attributed to devastation by Hurricane Fiona, and it is expected that Hurricane Ian will also keep the claims high in the coming weeks. Investors thus await US non-farm payroll data for more clarity and to predict Fed's future course of actions. Growth in Europe continues to disappoint, with Germany's new manufacturing orders falling by 2.4% (est.: -0.7%). ECB's minutes also reflect that members are worried that inflation might get stuck at elevated levels. Renewed increase in oil prices has further fuelled concerns.

- Barring Nikkei and Sensex, other global indices ended lower. Investors will closely monitor US non-farm payrolls due for release today. This will provide some guidance in term of further rate hike by Fed. Markets have priced in 86% chance of 75bps rate hike in Nov'22 meet. Dow Jones (1.1%) dropped the most amongst major indices, followed closely by FTSE (0.8%). On the other hand, Sensex ended in green led by gains in metal and real estate stocks. However, it is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	5-10-2022	6-10-2022	% change
Dow Jones	30,274	29,927	(1.1)
S & P 500	3,783	3,745	(1.0)
FTSE	7,053	6,997	(0.8)
Nikkei	27,121	27,311	0.7
Hang Seng	18,088	18,012	(0.4)
Shanghai Comp	3,041	3,024	(0.6)
Sensex	58,065	58,222	0.3
Nifty	17,274	17,332	0.3

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022; Markets in China remain closed this week.

- Most of the global currencies traded lower. DXY once again continued its ascent (0.9%) on the hopes of solid jobs data, expected later today. This will also reinforce Fed's decision to continue with the hawkish stance as has been signalled by Fed officials lately. Yen dropped and remained closer to its 24-year low. INR depreciated further as oil prices rose. It is trading further lower today as it touched the 82/\$ mark. Other Asian currencies are trading mixed.

Fig 2 – Currencies

	5-10-2022	6-10-2022	% change
EUR/USD	0.9884	0.9791	(0.9)
GBP/USD	1.1326	1.1162	(1.4)
USD/JPY	144.64	145.14	(0.3)
USD/INR	81.52	81.89	(0.5)
USD/CNY	7.1249	7.1160	0.1

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022; Markets in China remain closed this week.



- Barring Japan (flat), other major global yields closed higher. UK (13bps) and US' (7bps) 10Y yields rose the most. Investors keenly await US non-farm payroll data to estimate future course of rate hikes by Fed, and are also watchful of the impact of end of BoE's bond buying program (scheduled for end of next week). Tracking global cues and increase in oil prices, India's 10Y yield too rose by 9bps. It is trading further higher at 7.52% today.

Fig 3 – Bond 10Y yield

	5-10-2022	6-10-2022	change in bps
US	3.75	3.82	7
UK	4.04	4.17	13
Germany	2.03	2.09	5
Japan	0.25	0.25	0
China	2.72	2.75	3
India	7.36	7.45	9

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022; Markets in China remain closed this week.

Fig 4 – Short term rates

	4-10-2022	6-10-2022	change in bps
Tbill-91 days	6.06	5.96	(10)
Tbill-182 days	6.58	6.44	(14)
Tbill-364 days	6.78	6.71	(7)
G-Sec 2Y	7.04	7.11	8
SONIA int rate benchmark	2.19	2.19	0
US SOFR	3.00	3.04	4

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022

Fig 5 – Liquidity

Rs tn	4-10-2022	6-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(0.7)	0.3
Reverse repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research; Markets in India were closed on 5.10.2022

Fig 6 – Capital market flows

	30-09-2022	3-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(497.0)	155.8	652.8
Debt	(310.3)	(0.5)	309.8
Equity	(186.7)	156.3	343.0
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; Markets in India were closed on 5.10.2022

- International crude oil prices inched up by 1.1% to US\$ 94/bbl, supported by OPEC+ decision to cut oil production ahead of EU's embargo on Russian oil.

Fig 7 – Commodities

	5-10-2022	6-10-2022	% change
Brent crude (US\$/bbl)	93.4	94.4	1.1
Gold (US\$/ Troy Ounce)	1,716.3	1,712.5	(0.2)
Copper (US\$/ MT)	7,725.3	7,649.8	(1.0)
Zinc (US\$/MT)	3,082.8	3,143.3	2.0
Aluminium (US\$/MT)	2,352.0	2,347.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com