

MORNING MOCHA

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Latest global macro prints further indicate that there might be an impending global growth slowdown. China PPI/factory gate prices fell for the 1st time in 2 years in Oct'22 (-1.3%) compared with 0.9% increase in Sep'22. This will have an impact on profitability of Chinese firms and also shows the impact of China's slowdown on commodity prices. Further, Taiwan's exports fell for the second consecutive month in Oct'22 (-0.5%). A depreciating Yen is also taking a toll on Japan's current account balance, as the surplus fell to 8-year low of ¥4.85 tn in H1FY22. Continued increase in Covid-19 cases in China, possibility of gridlock between US Congress and US Senate have further raised fears of growth slowdown. EIA has also lowered its US energy demand outlook for CY23.

- Barring Hang Seng and Shanghai Comp, other global indices ended higher as investors turned their focus toward the US midterm elections which will decide the course of future spending. Also, key data prints are scheduled to release later this week including US CPI, signalling direction of future rate hike. Amongst other indices, Nikkei (1.3%) rose the most followed by Dow Jones (1%). Sensex opened higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	7-11-2022	8-11-2022	% change
Dow Jones	32,827	33,161	1.0
S & P 500	3,807	3,828	0.6
FTSE	7,300	7,306	0.1
Nikkei	27,528	27,872	1.3
Hang Seng	16,596	16,557	(0.2)
Shanghai Comp	3,078	3,064	(0.4)
Sensex	60,950	61,185	0.4
Nifty	18,117	18,203	0.5

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022

- Except CNY (flat), other global currencies traded higher against the dollar. DXY slid ahead of the US midterm election results and US CPI. Euro strengthened as German bond yields (2Y) edged higher on expectations of further tightening by ECB. INR opened stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	7-11-2022	8-11-2022	% change
EUR/USD	1.0020	1.0074	0.5
GBP/USD	1.1514	1.1544	0.3
USD/JPY	146.63	145.68	0.7
USD/INR	82.44	81.91	0.6
USD/CNY	7.2312	7.2310	0.0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022



- Global yields closed lower with 10Y yields of US, UK (9bps each), and Germany (6bps) falling the most. Investors await results of US mid-term elections for Congress and CPI. In US, a split in party controlling the Congress and the Senate could prove difficult for the President to achieve the economic agenda. India's 10Y yield is trading lower today at 7.39%, following global cues.

Fig 3 – Bond 10Y yield

	7-11-2022	8-11-2022	change in bps
US	4.21	4.12	(9)
UK	3.64	3.55	(9)
Germany	2.34	2.28	(6)
Japan	0.26	0.25	(1)
China	2.71	2.69	(2)
India	7.47	7.44	(3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022

Fig 4 – Short term rates

	4-11-2022	7-11-2022	change in bps
Tbill-91 days	6.44	6.38	(6)
Tbill-182 days	6.77	6.71	(6)
Tbill-364 days	6.97	6.91	(6)
G-Sec 2Y	7.18	7.15	(3)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.80	3.78	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Nov 2022

Fig 5 – Liquidity

Rs tn	4-11-2022	7-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.7)	0
Reverse repo	0	0.3	0.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	3-11-2022	4-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	106.5	184.5	78.1
Debt	12.6	(9.2)	(21.7)
Equity	93.9	193.7	99.8
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; Markets in India were closed on 8 Nov 22

- Crude oil prices fell by 2.6%, as rising Covid-19 cases in China dimmed the hopes of fewer restrictions, which would further dampen demand prospects.

Fig 7 – Commodities

	7-11-2022	8-11-2022	% change
Brent crude (US\$/bbl)	97.9	95.4	(2.6)
Gold (US\$/ Troy Ounce)	1,675.6	1,712.4	2.2
Copper (US\$/ MT)	7,924.8	8,127.5	2.6
Zinc (US\$/MT)	2,907.5	2,946.5	1.3
Aluminium (US\$/MT)	2,337.0	2,372.0	1.5

Source: Bloomberg, Bank of Baroda Research



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