

MORNING MOCHA

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ECONOMIST
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Data showed that while PPI inflation in the US moderated to 0.3% in Nov'22 (same as Oct'22), it increased more than market estimates of 0.2%, on a MoM basis. On the other hand, University of Michigan's survey showed that consumer sentiment picked up in Dec'22 and inflation expectations eased markedly. This raised the possibility that the Fed may keep rates high for a longer period of time and hence the Fed meet takes the centre stage this week. BoE and ECB also meet this week and are expected to raise rates by 50bps respectively. Other major data releases such as CPI data of US, Germany, UK and India as well as US retail sales will also be closely watched.

- Global stocks ended mixed. Markets in Europe and China closed higher, while those in US and India ended lower. While uncertainties remain around how much longer US Fed will have to keep rates high, on the other hand, markets in Europe and China cheered the news of relaxation of Covid-19 restrictions in China. Sensex fell by 0.6%, dragged by tech, realty and metal stocks. It is trading further lower today, in line with other Asian indices.

Fig 1 – Stock markets

	8-12-2022	9-12-2022	% change
Dow Jones	33,781	33,476	(0.9)
S & P 500	3,964	3,934	(0.7)
FTSE	7,472	7,477	0.1
Nikkei	27,574	27,901	1.2
Hang Seng	19,450	19,901	2.3
Shanghai Comp	3,197	3,207	0.3
Sensex	62,571	62,182	(0.6)
Nifty	18,609	18,497	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except EUR, other global currencies edged up against the dollar. DXY closed flat amidst mixed US data (PPI and consumer sentiment index). EUR fell by 0.2% ahead of ECB meet. GBP rose by 0.2% as government announced new measures aimed towards overhauling its financial sector. INR appreciated by 0.2% amidst lower oil prices. However it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	8-12-2022	9-12-2022	% change
EUR/USD (1 EUR / USD)	1.0556	1.0540	(0.2)
GBP/USD (1 GBP / USD)	1.2234	1.2259	0.2
USD/JPY (JPY / 1 USD)	136.67	136.56	0.1
USD/INR (INR / 1 USD)	82.43	82.28	0.2
USD/CNY (CNY / 1 USD)	6.9674	6.9584	0.1

Source: Bloomberg, Bank of Baroda Research



- Barring Japan and China (flat), other global bond yields ended higher. Following higher than estimated data for US PPI in Nov'22, yields in US and Europe rose the most. Further as consumer demand in the US (Michigan sentiment index) remains steady, investors also expect rates to remain high for a longer period than earlier anticipated. India's 10Y yield rose by 1bps and is trading further higher at 7.32% today, following global cues.

Fig 3 – Bond 10Y yield

	8-12-2022	9-12-2022	change in bps
US	3.48	3.58	10
UK	3.09	3.18	9
Germany	1.82	1.93	11
Japan	0.26	0.26	0
China	2.92	2.92	0
India	7.29	7.30	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	8-12-2022	9-12-2022	change in bps
Tbill-91 days	6.36	6.39	3
Tbill-182 days	6.75	6.74	(1)
Tbill-364 days	6.89	6.87	(2)
G-Sec 2Y	6.86	6.90	4
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.80	3.80	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	8-12-2022	9-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.5)	(0.1)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	7-12-2022	8-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(146.1)	(44.4)	101.7
Debt	21.4	50.3	28.9
Equity	(167.5)	(94.7)	72.8
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 further by 0.1% due to demand concerns amidst possibility of a marked growth slowdown in the three major global economies.

Fig 7 – Commodities

	8-12-2022	9-12-2022	% change
Brent crude (US\$/bbl)	76.2	76.1	(0.1)
Gold (US\$/ Troy Ounce)	1,789.1	1,797.3	0.5
Copper (US\$/ MT)	8,524.8	8,507.0	(0.2)
Zinc (US\$/MT)	3,269.0	3,286.0	0.5
Aluminium (US\$/MT)	2,503.0	2,480.5	(0.9)

Source: Bloomberg, Bank of Baroda Research



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