

MORNING MOCHA

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ECONOMIST
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Global markets are cautious ahead of the CPI print of major economies (US, UK, Eurozone and India). US CPI print is expected to moderate to 8% in Aug'22 from 8.5% in Jul'22. However, central bank officials (St Louis and Kansas City Fed President) in their recent comments showed steadfastness to control inflation. CME Fed fund watch tool is also attaching a 90% probability for 75bps rate hike in the upcoming meeting. Even ECB in its recent meeting also signalled steeper pace of rate hike. Bundesbank President also spoke of the same. On the domestic front, CPI and IIP data will drive the market.

- Global stocks rallied amidst expectations of easing inflationary pressures. While, both CPI and PPI inflation in China eased in Aug'22, US CPI report (due this week) is also expected to show moderation (est. 8% versus 8.5% in Jul'22). Hang Seng rose the most, followed by US stocks. Sensex rose by 0.2% supported by global cues. Technology and banking stocks gained the most. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	08-09-2022	09-09-2022	% change
Dow Jones	31,775	32,152	1.2
S & P 500	4,006	4,067	1.5
FTSE	7,262	7,351	1.2
Nikkei	28,065	28,215	0.5
Hang Seng	18,855	19,362	2.7
Shanghai Comp	3,236	3,262	0.8
Sensex	59,688	59,793	0.2
Nifty	17,799	17,833	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies gained against a weaker dollar. DXY fell by 0.6% as investors await US CPI report. After falling to a 24-year low, JPY gained 1.2% as BoJ Governor cautioned against rapid depreciation. EUR edged up above the dollar parity mark supported by ECB's rate hike. INR appreciated by 0.2% supported by FPI inflows. However it is trading weaker today; in line with other Asian currencies.

Fig 2 – Currencies

	08-09-2022	09-09-2022	% change
EUR/USD	0.9997	1.0042	0.5
GBP/USD	1.1504	1.1589	0.7
USD/JPY	144.11	142.47	1.2
USD/INR	79.72	79.59	0.2
USD/CNY	6.9576	6.9265	0.4

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Investors remained cautious tracking major central bank official's comments and Russia's threat to halt oil and gas exports. While UK'S 10Y yield dropped the most by 5bps, Japan's 10Y yield closed stable. India's 10Y yield on the other hand rose by 4bps (7.11%), following jump in oil prices. In the current auction as well, RBI did not accept any bids for the 2028FRB. It is trading higher at 7.17% today, ahead of CPI data.

Fig 3 – Bond 10Y yield

	08-09-2022	09-09-2022	change in bps
US	3.32	3.31	(1)
UK	3.15	3.10	(5)
Germany	1.72	1.70	(2)
Japan	0.25	0.25	0
China	2.63	2.64	1
India	7.08	7.11	4

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	08-09-2022	09-09-2022	change in bps
Tbill-91 days	5.62	5.62	0
Tbill-182 days	6.04	6.06	2
Tbill-364 days	6.30	6.32	2
G-Sec 2Y	6.51	6.50	(1)
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.28	2.28	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	08-09-2022	09-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.0)	(0.3)
Reverse repo	1.1	0.4	(0.7)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	07-09-2022	08-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	38.0	333.7	295.8
Debt	24.1	(22.3)	(46.3)
Equity	13.9	356.0	342.1
Mutual funds (Rs cr)	(3,627.9)	3,042.5	6,670.4
Debt	(1,255.6)	2,285.2	3,540.8
Equity	(2,372.3)	757.3	3,129.6

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 25th and 26th Aug 2022

- Crude oil rose by 4.1% to US\$ 92.8/bbl amidst reports that Russia might halt oil and gas exports, which aggravated fears of tighter supply.

Fig 7 – Commodities

	08-09-2022	09-09-2022	% change
Brent crude (US\$/bbl)	89.2	92.8	4.1
Gold (US\$/ Troy Ounce)	1,708.5	1,716.8	0.5
Copper (US\$/ MT)	7,919.0	7,924.0	0.1
Zinc (US\$/MT)	3,150.5	3,183.0	1.0
Aluminium (US\$/MT)	2,267.5	2,286.0	0.8

Source: Bloomberg, Bank of Baroda Research



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