

## MORNING MOCHA

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Markets remained rather subdued awaiting US inflation report and Fed policy outcome. US CPI due today, is likely to show that inflation moderated to 7.3% in Nov'22 from 7.7% in Oct'22 on a YoY basis. The data will be crucial as the Fed delivers its decision on Wednesday, and investors are likely to look for further cues on Fed's future rate path. UK's GDP growth picked up to 0.5% in Oct'22 after declining by 0.6% in Sep'22. Oil markets were buoyed by reopening in China, even as concerns remain over a potential spike in Covid-19 cases. In India, CPI inflation eased more than expected to 5.9% in Nov'22 from 6.8% in Oct'22. On the other hand, IIP growth slipped sharply by 4% in Oct'22, led by a dip in manufacturing.

- Barring the US (higher), stock indices elsewhere closed lower. Investors are awaiting US CPI data, due for release later today, and Fed's outlook for CY23. ECB and BoE are also expected to raise rates by 50bps later in the week. In India, Sensex fell by 0.1%, dragged down by consumer durables and tech stocks. However, it is trading higher today, in line with other Asian indices.

**Fig 1 – Stock markets**

	9-12-2022	12-12-2022	% change
Dow Jones	33,476	34,005	1.6
S & P 500	3,934	3,991	1.4
FTSE	7,477	7,446	(0.4)
Nikkei	27,901	27,842	(0.2)
Hang Seng	19,901	19,464	(2.2)
Shanghai Comp	3,207	3,179	(0.9)
Sensex	62,182	62,131	(0.1)
Nifty	18,497	18,497	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.3% as investors await US CPI data and Fed policy. GBP rose by 0.1% as GDP growth bounced back in Oct'22. CNY fell by 0.3% amidst concerns over a surge in Covid-19 cases as restrictions are eased. INR depreciated by 0.3% as oil prices rose. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	9-12-2022	12-12-2022	% change
EUR/USD (1 EUR / USD)	1.0540	1.0537	0
GBP/USD (1 GBP / USD)	1.2259	1.2269	0.1
USD/JPY (JPY / 1 USD)	136.56	137.67	(0.8)
USD/INR (INR / 1 USD)	82.28	82.54	(0.3)
USD/CNY (CNY / 1 USD)	6.9584	6.9776	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global bond yields closed mixed. While 10Y yields inched up in US and Europe, they remained flat in Asia. US 10Y yield rose the most (3bps), followed by UK



(2bps). Investors keenly wait indication from Fed whether it will be able to begin rate cuts from H2CY23. India's 10Y yield remained unchanged. However, it is trading lower at 7.28% today, tracking CPI data, which came in lower than expected for Nov'22.

**Fig 3 – Bond 10Y yield**

	9-12-2022	12-12-2022	change in bps
US	3.58	3.61	3
UK	3.18	3.20	2
Germany	1.93	1.94	1
Japan	0.26	0.25	0
China	2.92	2.92	0
India	7.30	7.29	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	9-12-2022	12-12-2022	change in bps
Tbill-91 days	6.39	6.35	(4)
Tbill-182 days	6.74	6.72	(2)
Tbill-364 days	6.87	6.87	0
G-Sec 2Y	6.90	6.89	(1)
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	9-12-2022	12-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(1.4)	0.1
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	8-12-2022	9-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(44.4)	(12.6)	31.8
Debt	50.3	(0.7)	(51.0)
Equity	(94.7)	(11.9)	82.8
Mutual funds (Rs cr)	4,557.6	136.6	(4,421.0)
Debt	2,379.3	(569.2)	(2,948.5)
Equity	2,178.3	705.8	(1,472.5)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 5 Dec 2022 and 8 Dec 2022

- Crude oil prices rebounded and surged by 2.5% amidst supply concerns due to outage in a key US-Canada pipeline, as well as threats of a production cut by Russia. Reopening in China also buoyed hopes of a demand recovery.

**Fig 7 – Commodities**

	9-12-2022	12-12-2022	% change
Brent crude (US\$/bbl)	76.1	78.0	2.5
Gold (US\$/ Troy Ounce)	1,797.3	1,781.4	(0.9)
Copper (US\$/ MT)	8,507.0	8,329.3	(2.1)
Zinc (US\$/MT)	3,286.0	3,300.0	0.4
Aluminium (US\$/MT)	2,480.5	2,414.0	(2.7)

Source: Bloomberg, Bank of Baroda Research



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