

## MORNING MOCHA

15 September 2022

ECONOMIST  
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Global markets remained cautious tracking major macro data releases of different economies. In the US, producer prices declined by 0.1%, on MoM basis, in line with expectation. However, core PPI rose by 0.4% against expectation of 0.3%. In UK as well, CPI rose by 0.5% against expectation of 0.6% increase. On YoY basis, still UK CPI is hovering at its 40-year high. In China, the central bank kept MLF rates unchanged. In Japan, policy makers continued to intervene the currency market. Japan's trade deficit figures also rose to a record high of ¥ 2.82tn. On the domestic front, WPI came in lower than expected.

- Except US, stock indices elsewhere closed lower. Investors remain on edge ahead of Fed meeting. Deepening inversion of the US yield curve also impacted market sentiments. Nikkei fell the most by 2.8%, followed by Hang Seng (-2.5%). Sensex too fell by 0.4% amidst losses in technology stocks. However it is trading higher today, tracking gains in other Asian stocks.

**Fig 1 – Stock markets**

	13-09-2022	14-09-2022	% change
Dow Jones	31,105	31,135	0.1
S & P 500	3,933	3,946	0.3
FTSE	7,386	7,277	(1.5)
Nikkei	28,615	27,819	(2.8)
Hang Seng	19,327	18,847	(2.5)
Shanghai Comp	3,264	3,238	(0.8)
Sensex	60,571	60,347	(0.4)
Nifty	18,070	18,004	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies appreciated against the dollar. DXY fell by 0.1% as investors assessed the fall in US PPI. JPY gained by 1% as BoJ conducted a rate check, raising expectations of an impending intervention in the forex market. GBP gained 0.4% as UK's inflation in Aug'22 eased from a record-high. INR depreciated by 0.4% amidst an increase in oil prices. It is trading further weaker today; in line with other Asian currencies.

**Fig 2 – Currencies**

	13-09-2022	14-09-2022	% change
EUR/USD	0.9970	0.9981	0.1
GBP/USD	1.1493	1.1539	0.4
USD/JPY	144.58	143.08	1.0
USD/INR	79.15	79.44	(0.4)
USD/CNY	6.9305	6.9618	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. UK's 10Y yield fell by 4bps on the back of slight moderation in inflation data. US 10Y yield closed stable tracking PPI data.



China's 10Y yield rose by 2bps amidst relaxation of Covid zero policy. India's 10Y yield rose by 4bps (7.12%), amidst expectation of aggressive rate hike by US Fed. It is trading higher at 7.14% today.

**Fig 3 – Bond 10Y yield**

	13-09-2022	14-09-2022	change in bps
US	3.41	3.40	0
UK	3.17	3.13	(4)
Germany	1.73	1.72	(1)
Japan	0.25	0.26	1
China	2.65	2.67	2
India	7.08	7.12	4

Source: Bloomberg, Bank of Baroda Research

- In the Rs 210bn TBill auction, cut off yield rose across all tenor by 9bps each. Yield on 91-day paper went at 5.72%, 182-day at 6.19% and 364-day at 6.43%.

**Fig 4 – Short term rates**

	13-09-2022	14-09-2022	change in bps
Tbill-91 days	5.64	5.72	8
Tbill-182 days	6.07	6.16	9
Tbill-364 days	6.33	6.39	6
G-Sec 2Y	6.61	6.66	5
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	13-09-2022	14-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.7)	(0.2)
Reverse repo	0.8	0.8	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	12-09-2022	13-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	176.8	672.4	495.7
Debt	(36.2)	93.9	130.1
Equity	212.9	578.5	365.6
Mutual funds (Rs cr)	152.6	928.3	775.7
Debt	(107.6)	446.3	553.9
Equity	260.2	482.1	221.9

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 7<sup>th</sup> and 8<sup>th</sup> Sep 2022

- Crude oil prices rose by 1% (US\$ 94/bbl) amidst fears of potential supply disruption as pointed out in the IEA report.

**Fig 7 – Commodities**

	13-09-2022	14-09-2022	% change
Brent crude (US\$/bbl)	93.2	94.1	1.0
Gold (US\$/ Troy Ounce)	1,702.2	1,697.3	(0.3)
Copper (US\$/ MT)	7,994.3	7,893.5	(1.3)
Zinc (US\$/MT)	3,250.0	3,253.8	0.1
Aluminium (US\$/MT)	2,313.0	2,270.5	(1.8)

Source: Bloomberg, Bank of Baroda Research



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