

## MORNING MOCHA

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ECONOMIST  
 Dipanwita Mazumdar

Global currencies depreciated while sell off in the bond market continued as market is fully pricing in a 75bps rate hike by Fed in the coming policy. Even probability of 100bps rate hike has risen to 26% against 0% earlier. As a result, gold prices dropped to its lowest since Apr'20, amidst strengthening DXY. On macro data front, US jobless claims fell by 213K against est.: 227K, reflecting tighter labour market conditions. Retail sales on the other hand rose by 0.3%, on MoM basis (est.: -0.1%) supported by falling pump prices. Industrial production fell by 0.2% (est.: 0%) reflecting slowdown in the economy. In China, macro prints (industrial production, YoY: +4.2% versus est.: 3.8%, retail sales, YoY: +5.4% versus est.: 3.3%) remained comparatively better. On domestic front, yields inched up as OIS rates rose on fear of aggressive rate hike by US Fed.

- Global stocks ended mixed. US stocks edged down amidst increased expectations of an aggressive rate hike by Fed. On the other hand, Hang Seng, Nikkei and FTSE ended marginally up. Sensex fell by 0.7% led by a slide in technology and metal stocks. It is trading further lower today, in line with other Asian markets.

**Fig 1 – Stock markets**

	14-09-2022	15-09-2022	% change
Dow Jones	31,135	30,962	(0.6)
S & P 500	3,946	3,901	(1.1)
FTSE	7,277	7,282	0.1
Nikkei	27,819	27,876	0.2
Hang Seng	18,847	18,930	0.4
Shanghai Comp	3,238	3,200	(1.2)
Sensex	60,347	59,934	(0.7)
Nifty	18,004	17,877	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Except EUR, other global currencies depreciated. DXY rose by 0.1% supported by strong US retail sales data. CNY ended 0.5% lower (after breaching the 7/\$ briefly) amidst growth concerns. JPY too depreciated by 0.3% as Japan's trade deficit surged to a record-high. INR depreciated by 0.3% following global cues. It is trading further weaker today; in line with other Asian currencies.

**Fig 2 – Currencies**

	14-09-2022	15-09-2022	% change
EUR/USD	0.9981	1.0001	0.2
GBP/USD	1.1539	1.1467	(0.6)
USD/JPY	143.08	143.52	(0.3)
USD/INR	79.44	79.70	(0.3)
USD/CNY	6.9618	6.9946	(0.5)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (stable), global yields closed higher. Investors are cautious ahead of major central bank's policy decision (US Fed, BoE and BoJ) in the coming week. Germany's 10Y yield rose the most (+5bps) followed by US (+4bps). India's 10Y yield rose by 8bps (7.20%), as OIS rates inched up on expectation of faster pace of rate hike by US Fed. It is trading higher at 7.24% today, ahead of the auction.

**Fig 3 – Bond 10Y yield**

	14-09-2022	15-09-2022	change in bps
US	3.40	3.45	4
UK	3.13	3.17	3
Germany	1.72	1.77	5
Japan	0.26	0.26	0
China	2.67	2.66	0
India	7.12	7.20	8

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	14-09-2022	15-09-2022	change in bps
Tbill-91 days	5.72	5.73	1
Tbill-182 days	6.16	6.17	1
Tbill-364 days	6.39	6.39	0
G-Sec 2Y	6.66	6.65	(1)
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.28	2.27	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	14-09-2022	15-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.5)	0.2
Reverse repo	0.8	0.8	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	13-09-2022	14-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	672.4	(142.3)	(814.7)
Debt	93.9	30.4	(63.5)
Equity	578.5	(172.7)	(751.2)
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 fell sharply by 3.5% to (US\$ 91/bbl) amidst fears of muted demand as IMF and World Bank flagged risks to the growth outlook.

**Fig 7 – Commodities**

	14-09-2022	15-09-2022	% change
Brent crude (US\$/bbl)	94.1	90.8	(3.5)
Gold (US\$/ Troy Ounce)	1,697.3	1,665.1	(1.9)
Copper (US\$/ MT)	7,893.5	7,848.8	(0.6)
Zinc (US\$/MT)	3,253.8	3,214.0	(1.2)
Aluminium (US\$/MT)	2,270.5	2,307.5	1.6

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com