

MORNING MOCHA

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ECONOMIST
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Data from US painted a mixed picture. Industrial production growth declined by 0.1% in Oct'22 (est. +0.1%), after increasing 0.1% in Sep'22 (MoM). On the other hand, retail sales rose by 1.3% (est. 1%) on a MoM basis. The continued resilience in consumer spending may give Fed room to raise rates further. Fed officials Mary Daly and Christopher Waller, also hinted at more tightening ahead. As a result, US yield curve inversion deepened further. In UK, inflation continued to surge and rose to a 41-year high at 11.1% from 10.1% in Sep'22. This has raised expectations that BoE may raise rates by another 50bps in its next meeting. UK Finance Minister is also likely to announce tax hikes and a cut in expenditure to control inflation.

- Except Japan and India, other equity indices elsewhere closed lower. S&P 500, and Hang Seng fell the most. S&P 500 was dragged down by retail stocks as retail giant Target, presented a gloomy outlook ahead of the holiday season. Sensex on the other hand ended higher, supported by banking, cap goods and tech stocks. It is however trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	15-11-2022	16-11-2022	% change
Dow Jones	33,593	33,554	(0.1)
S & P 500	3,992	3,959	(0.8)
FTSE	7,369	7,351	(0.2)
Nikkei	27,990	28,028	0.1
Hang Seng	18,343	18,256	(0.5)
Shanghai Comp	3,134	3,120	(0.4)
Sensex	61,873	61,981	0.2
Nifty	18,403	18,410	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY declined by 0.1% as investors monitored US macro data (retail sales and industrial production). EUR gained 0.4% as geo-political concerns subsided. GBP too rose by 0.4% as UK CPI inched up to a 41-year high in Oct'22. INR depreciated by 0.3% despite easing oil prices. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	15-11-2022	16-11-2022	% change
EUR/USD (1 EUR / USD)	1.0349	1.0395	0.4
GBP/USD (1 GBP / USD)	1.1865	1.1914	0.4
USD/JPY (JPY / 1 USD)	139.28	139.50	(0.2)
USD/INR (INR / 1 USD)	81.10	81.31	(0.3)
USD/CNY (CNY / 1 USD)	7.0455	7.0982	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. 10Y yields fell sharply in US and Europe. UK's 10Y yield fell by (15bps) and US by 8bps. While industrial production data for US



has raised hopes for Fed dialling back on future rate hikes, continued increase in retail sales suggests otherwise. US yield curve inversion deepened. India's 10Y yield rose by 1bps to 7.27%. It is trading further lower at 7.25% today.

Fig 3 – Bond 10Y yield

	15-11-2022	16-11-2022	change in bps
US	3.77	3.69	(8)
UK	3.30	3.15	(15)
Germany	2.11	2.00	(11)
Japan	0.25	0.25	0
China	2.83	2.84	1
India	7.26	7.27	1

Source: Bloomberg, Bank of Baroda Research

- In RBI's T-bill auction, rates fell across tenures, with 364-day down by 10bps.

Fig 4 – Short term rates

	15-11-2022	16-11-2022	change in bps
Tbill-91 days	6.44	6.43	(1)
Tbill-182 days	6.71	6.46	(25)
Tbill-364 days	6.86	6.88	2
G-Sec 2Y	6.92	6.90	(2)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.79	3.80	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-11-2022	16-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(0.8)	0
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-11-2022	15-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	378.7	38.3	(340.4)
Debt	10.3	53.8	43.6
Equity	368.5	(15.5)	(384.0)
Mutual funds (Rs cr)	(872.1)	(575.4)	296.7
Debt	(507.2)	(74.1)	433.0
Equity	(365.0)	(501.3)	(136.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 1 Nov 2022 and 2 Nov 2022

- Crude oil prices fell by 1.1% led by easing geo-political tensions. Demand concerns resurfaced amidst rising Covid-19 cases in China.

Fig 7 – Commodities

	15-11-2022	16-11-2022	% change
Brent crude (US\$/bbl)	93.9	92.9	(1.1)
Gold (US\$/ Troy Ounce)	1,778.9	1,773.9	(0.3)
Copper (US\$/ MT)	8,348.3	8,260.8	(1.0)
Zinc (US\$/MT)	3,128.5	3,061.5	(2.1)
Aluminium (US\$/MT)	2,435.0	2,412.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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