

MORNING MOCHA

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Led by uncertainty over the pace of future rate hike by Fed, kept the investors on the edge as they looked for further cues. A confirmed inflation print for the Euro zone at 8.9% in Jul'22 (highest since-1999) added to the growing calls of more rate hikes by ECB. On currency front, DXY strengthened and rose to a fresh one-month high. Investors will closely monitor the upcoming Fed's annual Jackson hole meeting and other key data releases including jobless claims to guide the market. In India, RBI's bulletin highlighted domestic economy is showing signs of broadening with signs of improvement seen in demand side indicators.

- Global indices ended mixed as investors continued to monitor the Fed minutes and awaited the release of key data prints including jobless claims and homes sales scheduled to release later. Nikkei (1%) dropped the most followed by Hang Seng (0.8%). US indices ended a tad higher. Sensex (0.1%) too ended in green supported by gains in real estate and power stocks. It is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	17-08-2022	18-08-2022	% change
Dow Jones	33,980	33,999	0.1
S & P 500	4,274	4,284	0.2
FTSE	7,516	7,542	0.3
Nikkei	29,223	28,942	(1.0)
Hang Seng	19,922	19,764	(0.8)
Shanghai Comp	3,293	3,278	(0.5)
Sensex	60,260	60,298	0.1
Nifty	17,944	17,957	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower. DXY climbed to one-month high with focus shifting towards the upcoming Jackson Hole meeting to provide some guidance on rate hike. Euro slid by 0.9% as concerns over gloomier economic outlook added to the growing concerns. GBP declined by 1% with subdued data print adding to more pressure (lower GDP and soaring inflation). INR depreciated by 0.3%. It opened stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	17-08-2022	18-08-2022	% change
EUR/USD	1.0180	1.0087	(0.9)
GBP/USD	1.2048	1.1930	(1.0)
USD/JPY	135.05	135.89	(0.6)
USD/INR	79.45	79.68	(0.3)
USD/CNY	6.7811	6.7863	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Barring China and US (lower), other global yields closed higher as investors continued to assess Fed minutes and pace of rate hike in the coming months. US 10Y yields was down by 1bps. On the other hand, UK's and Germany's 10Y yields were up 2bps each. India's 10Y yield gained by 6bps as crude prices surged. It is trading higher today.

Fig 3 – Bond 10Y yield

	17-08-2022	18-08-2022	change in bps
US	2.90	2.88	(1)
UK	2.29	2.31	2
Germany	1.08	1.10	2
Japan	0.19	0.20	1
China	2.64	2.62	(2)
India	7.19	7.24	6

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	17-08-2022	18-08-2022	change in bps
Tbill-91 days	5.52	5.60	8
Tbill-182 days	5.92	6.00	8
Tbill-364 days	6.23	6.17	(6)
G-Sec 2Y	6.40	6.43	3
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	17-08-2022	18-08-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(1.3)	(0.3)
Reverse repo	0.7	0.7	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	16-08-2022	17-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,767.5	544.1	(1,223.4)
Debt	(22.1)	1.7	23.8
Equity	1,789.6	542.4	(1,247.3)
Mutual funds (Rs cr)	3,513.3	1,017.8	(2,495.5)
Debt	2,873.7	904.3	(1,969.4)
Equity	639.7	113.5	(526.2)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 2nd and 3rd Aug 2022

- Crude oil prices rose by 3.1% led by improved fuel demand from European nations. Gold prices continued to decline further (0.2%) as DXY strengthened.

Fig 7 – Commodities

	17-08-2022	18-08-2022	% change
Brent crude (US\$/bbl)	93.7	96.6	3.1
Gold (US\$/ Troy Ounce)	1,761.8	1,758.6	(0.2)
Copper (US\$/ MT)	7,925.3	8,045.3	1.5
Zinc (US\$/MT)	3,578.5	3,533.0	(1.3)
Aluminium (US\$/MT)	2,411.0	2,403.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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