

MORNING MOCHA

19 September 2022

ECONOMIST
Jahnavi

World Bank has recently warned of global recession in CY23 as global central banks are on a rate hike spree, to combat inflation. Over 13 Central Banks are expected to make key rate decisions this week with analysts questioning how high the interest rates will be in the coming months. Global stock indices ended lower. Dollar remained sturdy. Oil prices inched up after some cities in China lifted lockdown restriction thus boosting demand outlook. Japan and UK will remain closed today.

- Global stocks ended lower as fears of global economic slowdown mounted with focus shifting towards upcoming US Fed policy meet scheduled later this week. Amongst other indices, Shanghai Comp (2.3%) dropped the most. This was followed by Sensex (1.8%) on the back of sharp losses in real estate and technology stocks. It is trading further lower today, in line with other Asian markets.

Fig 1 – Stock markets

	15-09-2022	16-09-2022	% change
Dow Jones	30,962	30,822	(0.5)
S & P 500	3,901	3,873	(0.7)
FTSE	7,282	7,237	(0.6)
Nikkei	27,876	27,568	(1.1)
Hang Seng	18,930	18,762	(0.9)
Shanghai Comp	3,200	3,126	(2.3)
Sensex	59,934	58,841	(1.8)
Nifty	17,877	17,531	(1.9)

Source: Bloomberg, Bank of Baroda Research

- Except GBP and INR (lower), other global currencies appreciated. DXY ended flat as investors noted moderate improvement in consumer sentiment index and await Fed's Sep'22 policy decision. JPY gained the most on safe-haven appeal. INR depreciated by 0.1% as oil prices inched up. However, it is trading higher today; while other Asian currencies are trading lower.

Fig 2 – Currencies

	15-09-2022	16-09-2022	% change
EUR/USD	1.0001	1.0016	0.1
GBP/USD	1.1467	1.1420	(0.4)
USD/JPY	143.52	142.92	0.4
USD/INR	79.70	79.75	(0.1)
USD/CNY	6.9946	6.9870	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While 10Y yields in India and China closed higher, it closed lower in UK and Germany and remained unchanged in the US. Investors are cautious ahead of major central banks' policy. BoJ and BoE will be announcing decisions this week. India's 10Y yield rose by 3bps (7.23%), as 5Y



OIS rates inched up further ahead of rate hike expectations. It is trading flat at 7.23% today.

Fig 3 – Bond 10Y yield

	15-09-2022	16-09-2022	change in bps
US	3.45	3.45	0
UK	3.17	3.14	(3)
Germany	1.77	1.76	(1)
Japan	0.26	0.26	0
China	2.66	2.68	2
India	7.20	7.23	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-09-2022	16-09-2022	change in bps
Tbill-91 days	5.73	5.83	10
Tbill-182 days	6.17	6.04	(13)
Tbill-364 days	6.39	6.42	3
G-Sec 2Y	6.65	6.83	18
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.27	2.28	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-09-2022	16-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	0	0.5
Reverse repo	0.8	0.8	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-09-2022	15-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(142.3)	24.5	166.8
Debt	30.4	109.8	79.4
Equity	(172.7)	(85.4)	87.4
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 7th and 8th Sep 2022

- Crude oil prices inched up by 0.6% to (US\$ 91/bbl) offsetting risks to demand outlook amidst fears of global economic slowdown.

Fig 7 – Commodities

	15-09-2022	16-09-2022	% change
Brent crude (US\$/bbl)	90.8	91.4	0.6
Gold (US\$/ Troy Ounce)	1,665.1	1,675.1	0.6
Copper (US\$/ MT)	7,848.8	7,869.0	0.3
Zinc (US\$/MT)	3,214.0	3,184.1	(0.9)
Aluminium (US\$/MT)	2,307.5	2,277.0	(1.3)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com