

## MORNING MOCHA

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ECONOMIST  
 Dipanwita Mazumdar

Macro data points globally showed elevated growth concerns. In the US, the ISM manufacturing data came in at 49, which is below expectation of 49.7. This was on account of slower growth in new orders and employment. In Germany, retail sales declined more than expected by 2.8% (est.: -0.5%). Even the flash manufacturing PMI was lower than expected at 46.2 (est.: 46.7) in Nov'22. Elsewhere, Asian stocks got comfort from China's relaxation of Covid zero policies. Joining Fed President, Governor Michelle Bowman also hinted at slower pace of rate hike in the coming months, in her recent speech. On inflation front, PCE deflator in the US showed moderation (0.3% versus est.: 0.4% increase). In South Korea as well, CPI edged down by 0.1% against expectation of 0.1% increase in Nov'22.

- Barring US and UK, stocks elsewhere edged up. US stocks declined as ISM manufacturing PMI marked its first contraction since May'20. Other global indices found comfort from hopes that global inflation might have peaked. Sensex rose for the 7th consecutive session and ended 0.3% higher. Real estate and metal stocks picked up the most. However it is trading lower today, in line with other Asian stocks as investors await US jobs report.

**Fig 1 – Stock markets**

|               | 30-11-2022 | 1-12-2022 | % change |
|---------------|------------|-----------|----------|
| Dow Jones     | 34,590     | 34,395    | (0.6)    |
| S & P 500     | 4,080      | 4,077     | (0.1)    |
| FTSE          | 7,573      | 7,558     | (0.2)    |
| Nikkei        | 27,969     | 28,226    | 0.9      |
| Hang Seng     | 18,597     | 18,736    | 0.7      |
| Shanghai Comp | 3,151      | 3,165     | 0.4      |
| Sensex        | 63,100     | 63,284    | 0.3      |
| Nifty         | 18,758     | 18,813    | 0.3      |

Source: Bloomberg, Bank of Baroda Research

- Global currencies posted gains against the dollar. DXY fell by 1.2% to its lowest since Jul'22 as US economic data reiterated the view that the pace of rate hikes will slow down going forward. EUR rose by 1.1% even as Germany's retail sales fell more than expected. INR appreciated by 0.3% supported by FPI inflows. It is trading further stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

|                       | 30-11-2022 | 1-12-2022 | % change |
|-----------------------|------------|-----------|----------|
| EUR/USD (1 EUR / USD) | 1.0406     | 1.0520    | 1.1      |
| GBP/USD (1 GBP / USD) | 1.2058     | 1.2247    | 1.6      |
| USD/JPY (JPY / 1 USD) | 138.07     | 135.33    | 2.0      |
| USD/INR (INR / 1 USD) | 81.43      | 81.22     | 0.3      |
| USD/CNY (CNY / 1 USD) | 7.0924     | 7.0534    | 0.6      |

Source: Bloomberg, Bank of Baroda Research



- Global yields broadly closed lower. Dovish speech by US Fed was rippled across all economies and demand for sovereign securities increased. Germany's 10Y yield fell the most by 12bps followed by US (-10bps). India's 10Y yield also fell by 7bps at 7.21%, tracking fall in global yields. It is trading further lower at 7.18% today, as expectation of softer pace of rate hike by RBI increased.

**Fig 3 – Bond 10Y yield**

|         | 30-11-2022 | 1-12-2022 | change in bps |
|---------|------------|-----------|---------------|
| US      | 3.61       | 3.50      | (10)          |
| UK      | 3.16       | 3.10      | (6)           |
| Germany | 1.93       | 1.81      | (12)          |
| Japan   | 0.25       | 0.25      | 0             |
| China   | 2.92       | 2.90      | (2)           |
| India   | 7.28       | 7.21      | (7)           |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 30-11-2022 | 1-12-2022 | change in bps |
|--------------------------|------------|-----------|---------------|
| Tbill-91 days            | 6.37       | 6.35      | (2)           |
| Tbill-182 days           | 6.71       | 6.69      | (2)           |
| Tbill-364 days           | 6.84       | 6.82      | (2)           |
| G-Sec 2Y                 | 6.86       | 6.84      | (3)           |
| SONIA int rate benchmark | 2.93       | 2.93      | (0)           |
| US SOFR                  | 3.81       | 3.82      | 1             |

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

| Rs tn                             | 30-11-2022 | 1-12-2022 | change (Rs tn) |
|-----------------------------------|------------|-----------|----------------|
| Net Liquidity (-Surplus/+deficit) | (1.2)      | (1.7)     | (0.5)          |
| Reverse repo                      | 0.5        | 0.5       | 0              |
| Repo                              | 0          | 0         | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 29-11-2022 | 30-11-2022 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | 164.2      | 1,132.5    | 968.4                  |
| Debt                 | 7.6        | 40.2       | 32.7                   |
| Equity               | 156.6      | 1,092.3    | 935.7                  |
| Mutual funds (Rs cr) | (268.8)    | 1,761.8    | 2,030.6                |
| Debt                 | (49.7)     | 1,849.0    | 1,898.6                |
| Equity               | (219.1)    | (87.1)     | 132.0                  |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 25 Nov 2022 and 28 Nov 2022

- Crude prices rose by 1.7% to US\$ 87/bbl supported by relaxed restrictions with regard to Covid zero policy of China which raised hopes of improved demand.

**Fig 7 – Commodities**

|                         | 30-11-2022 | 1-12-2022 | % change |
|-------------------------|------------|-----------|----------|
| Brent crude (US\$/bbl)  | 85.4       | 86.9      | 1.7      |
| Gold (US\$/ Troy Ounce) | 1,768.5    | 1,803.1   | 2.0      |
| Copper (US\$/ MT)       | 8,226.8    | 8,311.5   | 1.0      |
| Zinc (US\$/MT)          | 3,050.3    | 3,090.3   | 1.3      |
| Aluminium (US\$/MT)     | 2,477.5    | 2,485.0   | 0.3      |

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