

MORNING MOCHA

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US Fed in the recently released 'Beige Book' noted that the economy has expanded modestly but the conditions remained varied by districts. It also noted that US business are turning more pessimistic amidst inflation and high interest rate. Analyst are already anticipating 75bps rate hike in the coming policy meet. The rate hike is also on cards by ECB as Euro Area inflation climbed to 9.9% in Sep'22 (+9.1% in Aug'22). In currency market, dollar firmed up and pushed gold prices lower. Rupee opened lower today as it touched the 83/US\$ mark.

- Global indices ended mixed as fears of global economic slowdown tossed investor's risk appetite. US indices lost ground and ended in red, after gaining for two-day straight. Hang Seng dropped the most and was dragged down by losses in technology stocks. Sensex continued to climb further (0.2%) led by gains in real estate stocks. However, it is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	18-10-2022	19-10-2022	% change
Dow Jones	30,524	30,424	(0.3)
S & P 500	3,720	3,695	(0.7)
FTSE	6,937	6,925	(0.2)
Nikkei	27,156	27,257	0.4
Hang Seng	16,915	16,511	(2.4)
Shanghai Comp	3,081	3,044	(1.2)
Sensex	58,961	59,107	0.2
Nifty	17,487	17,512	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies fell sharply against the dollar, and DXY rose by 0.8% as risk appetite of investors declined. Higher than expected inflation data in UK and Eurozone reaffirmed fears that Central Banks will maintain their aggressive stance. Weaker than expected employment gains in Australia also showed impact of aggressive monetary policy tightening. INR too fell by 0.8%, and is trading further lower today, in line with other Asian currencies.

Fig 2 – Currencies

	18-10-2022	19-10-2022	% change
EUR/USD	0.9858	0.9773	(0.9)
GBP/USD	1.1320	1.1219	(0.9)
USD/JPY	149.26	149.90	(0.4)
USD/INR	82.36	82.99	(0.8)
USD/CNY	7.2023	7.2287	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Barring UK (lower) and Japan (flat), other global yields closed higher. US 10Y yield rose by 13bps to reach levels near 14 year high. Germany's 10Y yield too



inched up by 9bps as red hot inflation in Eurozone stoked fears of further tightening by ECB. Further, despite weaker than expected housing starts data in the US, investors expect Fed to also continue hiking rates. India's 10Y yield was up by 2bps, as oil prices rose, and is trading further higher at 7.5% today.

Fig 3 – Bond 10Y yield

	18-10-2022	19-10-2022	change in bps
US	4.01	4.13	13
UK	3.95	3.88	(7)
Germany	2.29	2.38	9
Japan	0.26	0.26	0
China	2.70	2.71	1
India	7.43	7.45	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	18-10-2022	19-10-2022	change in bps
Tbill-91 days	6.35	6.33	(2)
Tbill-182 days	6.67	6.73	6
Tbill-364 days	6.85	6.91	6
G-Sec 2Y	7.08	7.11	3
SONIA int rate benchmark	2.18	2.18	0
US SOFR	3.05	3.04	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	18-10-2022	19-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.1)	0.2
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-10-2022	18-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	59.5	142.0	82.5
Debt	81.8	37.6	(44.2)
Equity	(22.3)	104.4	126.7
Mutual funds (Rs cr)	(203.0)	2,262.9	2,465.9
Debt	(1,576.2)	977.5	2,553.8
Equity	1,373.2	1,285.4	(87.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Oct 2022 and 17 Oct 2022

- International oil prices rose by 2.6% to US\$ 92/bbl led by concerns over tighter supply offsetting the news of US releasing more crude from its reserves and worries over uncertain demand.

Fig 7 – Commodities

	18-10-2022	19-10-2022	% change
Brent crude (US\$/bbl)	90.0	92.4	2.6
Gold (US\$/ Troy Ounce)	1,652.2	1,629.4	(1.4)
Copper (US\$/ MT)	7,483.0	7,455.8	(0.4)
Zinc (US\$/MT)	2,879.3	2,924.3	1.6
Aluminium (US\$/MT)	2,193.0	2,170.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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