

MORNING MOCHA

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ECONOMIST

Jahnvi

The Chinese economy once again grappled with the possibility of imposing restrictions with the flare up of Covid-19 cases. This along with Fed's minutes (scheduled to release later today) weighed on investor sentiment. Fed Officials had recently made comments on how lowering inflation is critical amidst a likelihood of smaller rate hike in Dec'22. US dollar retreated and gold prices edged upwards. Crude prices rose as OPEC and its allies decided to stick with supply cuts. Central Bank of New Zealand recorded the biggest rate hike (+75bps) ever and signalled more tightening is in the offing in order to manage stubborn inflation.

- Barring Hang Seng, other global indices advanced. European markets moved up with strong gains in oil and gas stocks as oil prices rebounded. Investors will closely monitor Fed minutes as lower than expected inflation print may prompt Fed to slow down rate hike in the coming months. Sensex also ended in green led by gains in consumer durable and IT stocks. It is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	21-11-2022	22-11-2022	% change
Dow Jones	33,700	34,098	1.2
S & P 500	3,950	4,004	1.4
FTSE	7,377	7,453	1.0
Nikkei	27,945	28,116	0.6
Hang Seng	17,656	17,424	(1.3)
Shanghai Comp	3,085	3,089	0.1
Sensex	61,145	61,419	0.4
Nifty	18,160	18,244	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher. DXY fell by 0.1% amidst expectations of slower pace of rate hike by Fed as few data points in the US are showing impact of transmission of monetary policy. EUR rose the most by 0.6% as ECB official said 50-75bps rate hike is possible in the Dec'22 meeting. INR appreciated by 0.4% amidst reports of RBI's dollar sales. However it is trading lower today, while other Asian peers are trading higher.

Fig 2 – Currencies

	21-11-2022	22-11-2022	% change
EUR/USD (1 EUR / USD)	1.0242	1.0304	0.6
GBP/USD (1 GBP / USD)	1.1823	1.1886	0.5
USD/JPY (JPY / 1 USD)	142.14	141.23	0.6
USD/INR (INR / 1 USD)	81.85	81.67	0.2
USD/CNY (CNY / 1 USD)	7.1653	7.1399	0.4

Source: Bloomberg, Bank of Baroda Research



- Except Japan (stable) and China (tad higher by 1bps), global yields closed lower. US' 10Y yield fell the most by 7bps followed by UK (-5bps). This was following Fed officials (San Francisco and Cleveland Fed President) comments on moderating the pace of future rate hikes. UK's 10Y yield was supported by lower than expected borrowing data in Oct'22. India's 10Y yield fell by 3bps (7.29%) tracking the fall in 5Y swap rates. It is trading flat today.

Fig 3 – Bond 10Y yield

	21-11-2022	22-11-2022	change in bps
US	3.83	3.76	(7)
UK	3.19	3.14	(5)
Germany	1.99	1.98	(2)
Japan	0.25	0.25	0
China	2.83	2.83	1
India	7.32	7.29	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-11-2022	22-11-2022	change in bps
Tbill-91 days	6.40	6.40	0
Tbill-182 days	6.62	6.71	9
Tbill-364 days	6.80	6.89	9
G-Sec 2Y	6.90	6.89	(1)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.80	3.80	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-11-2022	22-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.2	0.1
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-11-2022	21-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	81.4	(509.0)	(590.4)
Debt	48.1	(359.7)	(407.8)
Equity	33.3	(149.3)	(182.6)
Mutual funds (Rs cr)	2,043.9	1,128.1	(915.8)
Debt	882.5	159.4	(723.1)
Equity	1,161.4	968.6	(192.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 11 Nov 2022 and 14 Nov 2022

- Crude oil prices rebounded and rose by 1% to US\$ 88.4/bbl after Saudi Arabia denied reports of supply increase by OPEC+ allies. Gold prices also inched up.

Fig 7 – Commodities

	21-11-2022	22-11-2022	% change
Brent crude (US\$/bbl)	87.5	88.4	1.0
Gold (US\$/ Troy Ounce)	1,738.1	1,740.3	0.1
Copper (US\$/ MT)	7,840.5	7,975.3	1.7
Zinc (US\$/MT)	2,890.3	2,906.0	0.5
Aluminium (US\$/MT)	2,379.0	2,429.0	2.1

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