

MORNING MOCHA

24 November 2022

ECONOMIST

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Global equity indices edged up and there was an increased appetite for sovereign bonds as well. This was on account of Fed minutes signalling slower pace of rate hike in the upcoming meetings to preserve financial stability. CME fed watch tool is now attaching a probability of 75.8% for a 50bps rate hike rather than 75bps rate hike. DXY also fell by 1.1%. On macro data front, while durable goods orders picked up in the US, PMI print posed risk to growth outlook. Even in the UK and Germany, despite better than expected flash PMI print, it remained considerably in the contraction territory. Bank of Korea also slowed down the pace of its rate hike (+25bps increase against +50bps hike seen in the previous policies).

- Global indices advanced after Fed minutes signalled slower pace of rate hikes in the coming months. Better than expected Eurozone PMI (47.8 from 47.3) also lifted sentiments. Both S&P500 and Hang Seng advanced the most, each gaining by 0.6%. Sensex also ended in green led by banking and oil & gas stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	22-11-2022	23-11-2022	% change
Dow Jones	34,098	34,194	0.3
S & P 500	4,004	4,027	0.6
FTSE	7,453	7,465	0.2
Nikkei	27,945	28,116	0.6
Hang Seng	17,424	17,524	0.6
Shanghai Comp	3,089	3,097	0.3
Sensex	61,419	61,511	0.1
Nifty	18,244	18,267	0.1

Source: Bloomberg, Bank of Baroda Research Note: Nikkei was closed on 23.11.2022

- Barring INR and CNY (lower), others ended higher against the dollar. DXY fell by 1.1%. GBP and JPY rose the most. Risk appetite of investors improved as Fed minutes showed that members agree on Fed slowing down the pace of future rate hikes. Further, as PMI remains weak, there is a risk of economic slowdown in the US. INR fell by 0.2%. However, following global cues, it is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	22-11-2022	23-11-2022	% change
EUR/USD (1 EUR / USD)	1.0304	1.0397	0.9
GBP/USD (1 GBP / USD)	1.1886	1.2055	1.4
USD/JPY (JPY / 1 USD)	141.23	139.60	1.2
USD/INR (INR / 1 USD)	81.67	81.85	(0.2)
USD/CNY (CNY / 1 USD)	7.1399	7.1605	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Except India and Japan (flat), other global yields closed lower, with yields in UK, US and Germany falling the most. Investors reacted to Fed minutes hinting at less aggressive monetary policy in the coming months. Also as US yield curve remains inverted and weaker manufacturing PMI added to the risk of recession. India's 10Y yield closed flat at 7.29% and is further lower at 7.28% today, following cues from the US.

Fig 3 – Bond 10Y yield

	22-11-2022	23-11-2022	change in bps
US	3.76	3.69	(6)
UK	3.14	3.01	(13)
Germany	1.98	1.93	(5)
Japan	0.25	0.25	0
China	2.83	2.80	(4)
India	7.29	7.29	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-11-2022	23-11-2022	change in bps
Tbill-91 days	6.40	6.44	4
Tbill-182 days	6.71	6.74	3
Tbill-364 days	6.89	6.82	(7)
G-Sec 2Y	6.89	6.90	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	22-11-2022	23-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0.1	(0.1)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-11-2022	22-11-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(509.0)	(9.0)	500.0
Debt	(359.7)	20.0	379.7
Equity	(149.3)	(29.0)	120.3
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 slid over a built-up of higher gasoline inventories in the US. Gold prices continued to edge upwards.

Fig 7 – Commodities

	22-11-2022	23-11-2022	% change
Brent crude (US\$/bbl)	88.4	85.4	(3.3)
Gold (US\$/ Troy Ounce)	1,740.3	1,749.7	0.5
Copper (US\$/ MT)	7,975.3	7,962.3	(0.2)
Zinc (US\$/MT)	2,906.0	2,900.3	(0.2)
Aluminium (US\$/MT)	2,429.0	2,397.0	(1.3)

Source: Bloomberg, Bank of Baroda Research



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