

MORNING MOCHA

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Inflation remains an ongoing concern with US core PCE deflator inching up by 0.6% (est.: 0.5%) in Aug'22 from 0% in Jul'22, and CPI in Eurozone rising to 10% (est.: 9.7%) from 9.1% in Jul'22. However, on the positive side, UK's Q2CY22 GDP growth was revised upwards to 0.2% from an estimated (-) 0.1% decline earlier, supported by sharp revisions in private consumption and exports. On the domestic front, RBI increased repo rate by 50bps, in line with market expectations. This week, markets will be guided by global PMIs, RBA's policy decision, OPEC+ meeting and US' production and payroll data.

- Global indices ended mixed amidst concerns over global economic slowdown and aggravated worries over inflationary risk. Amongst other indices, Nikkei (1.8%) dropped the most followed by Dow Jones (1.7%). However, Sensex surprised positively after the repo rate hike by RBI which was in line with expectation. Metal, banking and power stocks pushed the indices higher. It is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	29-09-2022	30-09-2022	% change
Dow Jones	29,226	28,726	(1.7)
S & P 500	3,640	3,586	(1.5)
FTSE	6,882	6,894	0.2
Nikkei	26,422	25,937	(1.8)
Hang Seng	17,166	17,223	0.3
Shanghai Comp	3,041	3,024	(0.6)
Sensex	56,410	57,427	1.8
Nifty	16,818	17,094	1.6

Source: Bloomberg, Bank of Baroda Research

- Barring EUR and JPY, other global currencies gained. GBP rose by 0.5% as BoE intervened to buy gilts amidst concerns around Britain's plan tax cut. DXY retreated and was down by 0.1%. EUR ended lower as inflation soared to a record high at 10% in Sep'22. INR appreciated by 0.6%. It is trading lower today in line with other Asian currencies.

Fig 2 – Currencies

	29-09-2022	30-09-2022	% change
EUR/USD	0.9815	0.9802	(0.1)
GBP/USD	1.1117	1.1170	0.5
USD/JPY	144.46	144.74	(0.2)
USD/INR	81.85	81.35	0.6
USD/CNY	7.1249	7.1160	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While US 10Y yield rose by 4bps, yields in UK (-5bps) and Germany (-7bps) fell. Rates in US rose as PCE price index inched up



more than anticipated in Aug'22, indicating that Fed will remain hawkish. Bond market in Europe was impacted by BoE's intervention to restore investor confidence. India's 10Y yield closed rose by 6bps, following rate hike announcement by RBI. It is trading higher at 7.43% today.

Fig 3 – Bond 10Y yield

	29-09-2022	30-09-2022	change in bps
US	3.79	3.83	4
UK	4.14	4.09	(5)
Germany	2.18	2.11	(7)
Japan	0.26	0.24	(1)
China	2.72	2.75	3
India	7.34	7.40	6

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	29-09-2022	30-09-2022	change in bps
Tbill-91 days	6.05	6.04	(1)
Tbill-182 days	6.56	6.48	(8)
Tbill-364 days	6.77	6.69	(8)
G-Sec 2Y	6.98	7.09	11
SONIA int rate benchmark	2.19	2.19	0
US SOFR	2.98	2.96	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	29-09-2022	30-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	(0.3)	(0.5)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-09-2022	29-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(301.8)	(570.6)	(268.9)
Debt	(45.9)	(97.5)	(51.6)
Equity	(255.9)	(473.2)	(217.2)
Mutual funds (Rs cr)	(1,024.0)	(1,495.2)	(471.2)
Debt	(1,620.8)	(1,382.6)	238.2
Equity	596.8	(112.6)	(709.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 22 and 23 Sep 2022

- Global crude prices fell by 0.6% amidst muted economic outlook. Investors await decision on output cut by OPEC+, due this week.

Fig 7 – Commodities

	29-09-2022	30-09-2022	% change
Brent crude (US\$/bbl)	88.5	88.0	(0.6)
Gold (US\$/ Troy Ounce)	1,660.5	1,660.6	0
Copper (US\$/ MT)	7,647.0	7,683.3	0.5
Zinc (US\$/MT)	2,957.3	3,014.3	1.9
Aluminium (US\$/MT)	2,197.0	2,162.0	(1.6)

Source: Bloomberg, Bank of Baroda Research



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