

## MORNING MOCHA

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US jobless claims fell to a 5-month low, signalling strength in the labour market. In the Eurozone, economic sentiment index declined sharply in Sep'22 amidst an increase in inflation expectations. Data showed that inflation in Germany climbed up further to 10.9%. BoE bought another ~£ 1.4bn gilts. Retail sales and industrial production in Japan showed further improvement. China's official manufacturing PMI rose to 50.1 in Sep'22 from 49.4, while service PMI moderated to 50.6 from 52.6. In India, CAD widened to 2.8% of GDP. On the positive side, government's H2FY23 borrowing calendar was unchanged which should provide some comfort to yields. Investors keenly await RBI's monetary policy decision due shortly.

- Global stocks broadly ended lower. Investors remained concerned over growth and inflation dynamics worldwide. Inflation in Germany remained overheated, economic sentiment in the Eurozone was benign and economic woes in China continued. Fed official (James Bullard) also spoke of considerable financial tightening. US stocks fell the most, followed by UK. Sensex also fell by 0.3% dragged down by power stocks. It is trading further lower today, in line with other Asian markets, tracking China's muted macro data.

**Fig 1 – Stock markets**

	28-09-2022	29-09-2022	% change
Dow Jones	29,684	29,226	(1.5)
S & P 500	3,719	3,640	(2.1)
FTSE	7,005	6,882	(1.8)
Nikkei	26,174	26,422	0.9
Hang Seng	17,251	17,166	(0.5)
Shanghai Comp	3,045	3,041	(0.1)
Sensex	56,598	56,410	(0.3)
Nifty	16,859	16,818	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except JPY (lower), other global currencies gained. GBP rose sharply by 2.1% as BoE bought gilts for the second consecutive day, as planned. EUR also rose despite a sharp fall in Eurozone's economic sentiment index. CNY gained 1.1% amidst expectations of intervention by PBOC. INR appreciated by 0.1%. It is trading further stronger today, while other Asian currencies are trading weaker.

**Fig 2 – Currencies**

	28-09-2022	29-09-2022	% change
EUR/USD	0.9735	0.9815	0.8
GBP/USD	1.0889	1.1117	2.1
USD/JPY	144.16	144.46	(0.2)
USD/INR	81.94	81.85	0.1
USD/CNY	7.2005	7.1249	1.1

Source: Bloomberg, Bank of Baroda Research



- Except India (flat), global yields closed higher. Sell-off in the UK market continued as its 10Y yield rose by 13bps amidst continued economic woes in the region. Germany's 10Y yield rose by 5bps as traders are now pricing in a 75bps rate hike by ECB in the upcoming policy. India's 10Y yield closed flat. It is trading higher at 7.36% today, ahead of the RBI's policy decision.

**Fig 3 – Bond 10Y yield**

	28-09-2022	29-09-2022	change in bps
US	3.73	3.79	5
UK	4.01	4.14	13
Germany	2.12	2.18	6
Japan	0.25	0.26	1
China	2.71	2.72	1
India	7.33	7.34	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-09-2022	29-09-2022	change in bps
Tbill-91 days	6.14	6.05	(9)
Tbill-182 days	6.61	6.56	(5)
Tbill-364 days	6.78	6.77	(1)
G-Sec 2Y	6.97	6.98	1
SONIA int rate benchmark	2.19	2.19	0
US SOFR	2.98	2.98	-

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	28-09-2022	29-09-2022	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**

	27-09-2022	28-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(486.0)	(301.8)	184.2
Debt	(112.4)	(45.9)	66.6
Equity	(373.6)	(255.9)	117.7
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 0.9% amidst muted economic outlook. However, expectations of output cut by OPEC+ limited losses.

**Fig 7 – Commodities**

	28-09-2022	29-09-2022	% change
Brent crude (US\$/bbl)	89.3	88.5	(0.9)
Gold (US\$/ Troy Ounce)	1,660.0	1,660.5	0
Copper (US\$/ MT)	7,520.0	7,647.0	1.7
Zinc (US\$/MT)	2,868.8	2,957.3	3.1
Aluminium (US\$/MT)	2,124.0	2,197.0	3.4

Source: Bloomberg, Bank of Baroda Research



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