

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Macro prints for the US indicate that economy is not slowing as much as feared. US ISM services index for Sep'22 slipped only a tad to 56.7 (est.: 56) from 56.9 in Aug'22. ADP employment data showed that 208k jobs were added in Sep'22 (est.: 200k), up from 185k in Aug'22. However, problems in Europe persist. Services activity still remains weak as PMI index for Eurozone fell to a 19-month low of 48.8 in Sep'22, dragged by Germany (45.0; 28-month low). Even in UK, it fell to 50 (lowest since Feb'21). Stress in terms of input prices pressures could increase as oil prices inch up, following production cuts (2mn bbl/day—steepest since the outbreak of Covid-19 pandemic) announced by OPEC+.

- Global indices ended mixed after muted global PMI readings added fears of global slowdown. Amongst other indices, FTSE and S&P500 dropped by 0.5% and 0.2% each. US indices ended in red ahead of the non-farm payroll data, scheduled to be released later today. Sensex opened higher today in line with other Asian stocks.

Fig 1 – Stock markets

	4-10-2022	5-10-2022	% change
Dow Jones	30,316	30,274	(0.1)
S & P 500	3,791	3,783	(0.2)
FTSE	7,086	7,053	(0.5)
Nikkei	26,992	27,121	0.5
Hang Seng	17,223	18,088	5.0
Shanghai Comp	3,041	3,024	(0.6)
Sensex	56,789	58,065	2.2
Nifty	16,887	17,274	2.3

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022; Markets in China remain closed this week.

- Most of the global currencies traded lower against the dollar. DXY continued to climb higher as it gained by 1% with San Francisco Fed's Mary Daly signalling a possibility of no rate cuts in CY23. Investors also monitored OPEC+ decision to slash oil output by 2mn bbl/day (largest reduction since CY20). INR continues to weaken further and is currently trading at 81.64/US\$. Asian currencies are trading mixed in the morning session.

Fig 2 – Currencies

	4-10-2022	5-10-2022	% change
EUR/USD	0.9986	0.9884	(1.0)
GBP/USD	1.1476	1.1326	(1.3)
USD/JPY	144.13	144.64	(0.4)
USD/INR	81.88	81.52	0.4
USD/CNY	7.1249	7.1160	0.1

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022; Markets in China remain closed this week.



- Most global yields closed higher, with 10Y yields in UK, Germany (16bps each) and US (12bps) rising the most. Better than expected US ISM services index, and ADP employment data, signals that Fed is expected to continue tightening rates aggressively for now. Markets in India were closed for holiday. However, tracking global developments, India's 10Y is trading higher at 7.49% today.

Fig 3 – Bond 10Y yield

	4-10-2022	5-10-2022	change in bps
US	3.63	3.75	12
UK	3.88	4.04	16
Germany	1.87	2.03	16
Japan	0.22	0.25	3
China	2.72	2.75	3
India	7.47	7.36	(10)

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022; Markets in China remain closed this week.

Fig 4 – Short term rates

	3-10-2022	4-10-2022	change in bps
Tbill-91 days	5.96	6.06	10
Tbill-182 days	6.46	6.58	12
Tbill-364 days	6.70	6.78	8
G-Sec 2Y	7.08	7.04	(4)
SONIA int rate benchmark	2.19	2.19	0
US SOFR	3.00	3.04	4

Source: Bloomberg, Bank of Baroda Research; Markets in India were closed on 5.10.2022

Fig 5 – Liquidity

Rs tn	3-10-2022	4-10-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.2)	(1.0)	0.2
Reverse repo	0.5	0	(0.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research; Markets in India were closed on 5.10.2022

Fig 6 – Capital market flows

	29-09-2022	30-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(570.6)	(497.0)	73.6
Debt	(97.5)	(310.3)	(212.8)
Equity	(473.2)	(186.7)	286.5
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; Markets in India were closed on 5.10.2022

- International crude oil prices rose further by 1.7% to US\$ 93/bbl as OPEC+ announced steep production cuts, most since CY20 (outbreak of Covid-19).

Fig 7 – Commodities

	4-10-2022	5-10-2022	% change
Brent crude (US\$/bbl)	91.8	93.4	1.7
Gold (US\$/ Troy Ounce)	1,726.1	1,716.3	(0.6)
Copper (US\$/ MT)	7,800.0	7,725.3	(1.0)
Zinc (US\$/MT)	3,076.5	3,082.8	0.2
Aluminium (US\$/MT)	2,348.0	2,352.0	0.2

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