

MORNING MOCHA

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Weak demand from China has contributed to substantial decline in commodity prices, and has even led to 2nd consecutive dip in China's PPI, by -1.3% in Nov'22, unchanged from Oct'22. This is also expected to impact profitability of the Chinese firms. Weak domestic demand has caused CPI in Nov'22 to ease to 1.6% from 2.1% in Oct'22. Also facing headwinds from subdued global demand and weaker Yen, Japan's current account posted a deficit (1st time in 8 years) of ¥64.1bn in Oct'22 versus a surplus of ¥1.73tn in Oct'21. Its Q3CY22 GDP remained in contraction, albeit was revised upward to -0.8% (QoQ) versus -1.2% as per previous estimates. Next week, all eyes will be on major central bank decisions, (Fed, BoE, and ECB).

- Global stocks ended mixed. Investors monitored the increased possibility of recession in the US and reports of easing Covid-19 rules in China. US equities rose, led by gains in technology and energy stocks. Hang Seng rose by 3.4%. Sensex edged up by 0.3% supported by gains in capital goods and banking stocks. It is trading higher today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	7-12-2022	8-12-2022	% change
Dow Jones	33,598	33,781	0.5
S & P 500	3,934	3,964	0.8
FTSE	7,489	7,472	(0.2)
Nikkei	27,686	27,574	(0.4)
Hang Seng	18,815	19,450	3.4
Shanghai Comp	3,200	3,197	(0.1)
Sensex	62,411	62,571	0.3
Nifty	18,561	18,609	0.3

Source: Bloomberg, Bank of Baroda Research

- Except JPY and INR (flat), other global currencies edged up against the dollar. DXY fell by 0.3% as investors remain cautious ahead of US PPI data (scheduled today), as well as the CPI data and Fed meeting next week. EUR rose the most by 0.5%. INR closed flat even as oil prices dipped further. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	7-12-2022	8-12-2022	% change
EUR/USD (1 EUR / USD)	1.0506	1.0556	0.5
GBP/USD (1 GBP / USD)	1.2203	1.2234	0.3
USD/JPY (JPY / 1 USD)	136.62	136.67	0
USD/INR (INR / 1 USD)	82.48	82.43	0.1
USD/CNY (CNY / 1 USD)	6.9700	6.9674	0

Source: Bloomberg, Bank of Baroda Research

- Barring Japan (flat), other global bond yields closed higher. US 10Y yield rose by 6bps to as jobless claims came in line with expectations and investors



believe that marginal increase in claims is mainly owing to the holiday season. Yields in Europe also inched up, ahead of respective central bank decisions next week. India's 10Y yield rose by 2bps, following global cues. It is trading a tad higher at 7.30% today.

Fig 3 – Bond 10Y yield

	7-12-2022	8-12-2022	change in bps
US	3.42	3.48	6
UK	3.04	3.09	4
Germany	1.78	1.82	4
Japan	0.26	0.26	0
China	2.91	2.92	1
India	7.27	7.29	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	7-12-2022	8-12-2022	change in bps
Tbill-91 days	6.40	6.36	(4)
Tbill-182 days	6.77	6.75	(2)
Tbill-364 days	6.91	6.89	(2)
G-Sec 2Y	6.86	6.86	0
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	7-12-2022	8-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.4)	0.2
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	6-12-2022	7-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	22.9	(146.1)	(168.9)
Debt	54.1	21.4	(32.7)
Equity	(31.2)	(167.5)	(136.2)
Mutual funds (Rs cr)	(268.8)	1,761.8	2,030.6
Debt	(49.7)	1,849.0	1,898.6
Equity	(219.1)	(87.1)	132.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 25 Nov 2022 and 28 Nov 2022

- Crude oil prices continue to decline and have reached US\$ 76/bbl, owing to concerns surrounding global demand. It is estimated that it will take months for demand to benefit from China's easing Covid-19 restrictions.

Fig 7 – Commodities

	7-12-2022	8-12-2022	% change
Brent crude (US\$/bbl)	77.2	76.2	(1.3)
Gold (US\$/ Troy Ounce)	1,786.3	1,789.1	0.2
Copper (US\$/ MT)	8,430.0	8,524.8	1.1
Zinc (US\$/MT)	3,207.0	3,269.0	1.9
Aluminium (US\$/MT)	2,485.5	2,503.0	0.7

Source: Bloomberg, Bank of Baroda Research



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