MORNING MOCHA

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IMF recently warned of a gloomier outlook for the world economy than was anticipated in the WEO (Oct'22). The downside risk are emanating from the worsening of global PMI print and monetary tightening to curb high inflation. However, some data points offer glimmer of hope, including softening of US inflation which might trigger Fed to slowdown the tightening path. Additionally, lifting of the Covid-19 curbs in China along with issuing of new policies to rescue property sector is expected to boost demand. Investors will closely monitor CPI and WPI from India along with G20 summit scheduled this week.

- Except FTSE, other global indices closed higher on the back of cooler than expected inflation print from US signalling the likelihood of less aggressive monetary tightening by Fed. Hang Seng surged by 7.7% after China announced easing down of stringent Covid-19 restrictions. This was followed by gains in Shanghai Comp and Nikkei. Sensex too ended in green led by strong gains in IT and metal stocks. It is trading higher today while Asian stocks are trading mixed.

Fig 1 – Stock markets

	10-11-2022	11-11-2022	% change
Dow Jones	33,715	33,748	0.1
S & P 500	3,956	3,993	0.9
FTSE	7,375	7,318	(0.8)
Nikkei	27,446	28,264	3.0
Hang Seng	16,081	17,326	7.7
Shanghai Comp	3,036	3,087	1.7
Sensex	60,614	61,795	1.9
Nifty	18,028	18,350	1.8

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher against the dollar and DXY fell by 1.8%. Investors' appetite for riskier assets increased as softer than expected US inflation data boosted hopes of pullback in aggressive monetary tightening by Fed. JPY and EUR gained the most. INR also appreciated by 1.2% and is trading further higher today, in line with other Asian currencies.

Fig 2 – Currencies

	10-11-2022	11-11-2022	% change
EUR/USD	1.0209	1.0347	1.4
GBP/USD	1.1716	1.1830	1.0
USD/JPY	140.98	138.81	1.6
USD/INR	81.81	80.82	1.2
USD/CNY	7.1865	7.0973	1.3

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While 10Y yields in Germany (15bps) and UK (7bps) rose the most, they fell in India and Japan. Germany's yield curve inverted for the first time since Sep'08 indicating increased recessionary fears. Germany's 2Y bond yield closed at 2.19%. Yields in UK reacted to BoE's plan to gradually phase out its bond-buying program. India's 10Y yield fell by 4bps to 7.31%, supported by healthy demand at RBI's weekly auction. It is trading even lower today at 7.28%.

Fig 3 – Bond 10Y yield

	10-11-2022	11-11-2022	change in bps
US	4.09	3.81	(28)
UK	3.29	3.36	7
Germany	2.01	2.16	15
Japan	0.25	0.24	(1)
China	2.70	2.74	4
India	7.35	7.31	(4)

Source: Bloomberg, Bank of Baroda Research Note: US10 Y yield was closed on 11.11.22

Fig 4 – Short term rates

	10-11-2022	11-11-2022	change in bps
Tbill-91 days	6.42	6.45	3
Tbill-182 days	6.78	6.77	(1)
Tbill-364 days	6.95	6.92	(3)
G-Sec 2Y	7.04	6.95	(9)
SONIA int rate benchmark	2.93	2.93	0
US SOFR	3.78	3.78	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	10-11-2022	11-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.7)	(0.3)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	9-11-2022	10-11-2022	change (US$ mn/Rs cr)
FII (US$ mn)	101.0	(72.0)	(172.9)
Debt	33.9	(24.5)	(58.5)
Equity	67.1	(47.4)	(114.5)
Mutual funds (Rs cr)	(872.1)	(575.4)	296.7
Debt	(507.2)	(74.1)	433.0
Equity	(365.0)	(501.3)	(136.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 1 Nov 2022 and 2 Nov 2022

- Crude oil prices rose by 2.5% to US$96/bbl, amidst relaxation of Covid-19 norms in China. Gold prices too inched up.

Fig 7 – Commodities

	10-11-2022	11-11-2022	% change
Brent crude (US$/bbl)	93.7	96.0	2.5
Gold (US$/ Troy Ounce)	1,755.5	1,771.2	0.9
Copper (US$/ MT)	8,282.5	8,501.9	2.6
Zinc (US$/MT)	2,899.5	3,044.3	5.0
Aluminium (US$/MT)	2,327.0	2,463.5	5.9

Source: Bloomberg, Bank of Baroda Research

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