

MORNING MOCHA

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Investors are anticipating hawkish comments from Fed Chair at the upcoming Jackson Hole symposium. Another Fed official (Richmond Fed President) also spoke of 'urge' for faster rate hike to tackle inflation. Equity and currency indices broadly closed lower amidst tighter financial conditions. China's central bank again lowered their benchmark lending rates by reducing the 5Y LPR by 15bps to 4.3%. Even the 1Y LPR was reduced to 3.65% from 3.7% earlier. On domestic front, RBI's MPC signalled more rate hikes may be frontloaded which led 10Y yield open higher today. Markets in the coming week will monitor flash PMI print, inflation expectation survey in the US and also comments from central bank officials.

- Global indices ended broadly lower. US stocks declined amidst expectations that the Fed is likely to continue with future rate hikes. Technology stocks ended sharply lower. Amongst other major indices, while FTSE edged up by 0.1%, Nikkei and Hang Seng were flat. Sensex fell by 1.1% led by decline in real estate stocks. It is trading further lower today in line with other Asian stocks.

Fig 1 – Stock markets

	18-08-2022	19-08-2022	% change
Dow Jones	33,999	33,707	(0.9)
S & P 500	4,284	4,228	(1.3)
FTSE	7,542	7,550	0.1
Nikkei	28,942	28,930	0
Hang Seng	19,764	19,773	0
Shanghai Comp	3,278	3,258	(0.6)
Sensex	60,298	59,646	(1.1)
Nifty	17,957	17,758	(1.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower against the dollar. DXY rose by 0.6% as investors reassessed Fed's rate hike path. GBP declined the most by 0.8% even as UK's retail sales rose unexpectedly in Jul'22. EUR fell by 0.5% amidst worsening energy crisis. INR depreciated by 0.1% weighed down by global cues. It is trading weaker today in line with other Asian currencies.

Fig 2 – Currencies

	18-08-2022	19-08-2022	% change
EUR/USD	1.0087	1.0037	(0.5)
GBP/USD	1.1930	1.1829	(0.8)
USD/JPY	135.89	136.97	(0.8)
USD/INR	79.68	79.78	(0.1)
USD/CNY	6.7863	6.8176	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global yields broadly closed higher. Germany and UK's 10Y yield rose by 13 and 10 bps respectively, on account of soaring MoM increase in Germany's



PPI and better than expected retail sales print in UK. India's 10Y yield rose by 2bps (7.26%) despite a higher than expected cut off set by RBI for the new 10Y 2032 security. It is trading higher at 7.29% today, as MPC minutes highlighted that more rate hikes may be frontloaded to control inflation.

Fig 3 – Bond 10Y yield

	18-08-2022	19-08-2022	change in bps
US	2.88	2.97	9
UK	2.31	2.41	10
Germany	1.10	1.23	13
Japan	0.20	0.20	0
China	2.62	2.63	1
India	7.24	7.26	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	18-08-2022	19-08-2022	change in bps
Tbill-91 days	5.60	5.57	(3)
Tbill-182 days	6.00	5.84	(16)
Tbill-364 days	6.17	6.17	0
G-Sec 2Y	6.43	6.35	(8)
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.29	2.28	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	18-08-2022	19-08-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(0.6)	0.7
Reverse repo	0.7	0.7	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-08-2022	18-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	544.1	445.1	(98.9)
Debt	1.7	11.2	9.5
Equity	542.4	434.0	(108.4)
Mutual funds (Rs cr)	1,407.1	(1,641.0)	(3,048.1)
Debt	1,571.0	(2,206.9)	(3,777.9)
Equity	(163.9)	565.9	729.8

Source: Bloomberg, Bank of Baroda Research

- Crude oil prices edged up by 0.1% amidst a pickup in fuel demand. Gold prices fell by 0.7% as DXY continued to strengthen.

Fig 7 – Commodities

	18-08-2022	19-08-2022	% change
Brent crude (US\$/bbl)	96.6	96.7	0.1
Gold (US\$/ Troy Ounce)	1,758.6	1,747.1	(0.7)
Copper (US\$/ MT)	8,045.3	8,100.9	0.7
Zinc (US\$/MT)	3,533.0	3,548.0	0.4
Aluminium (US\$/MT)	2,403.0	2,386.0	(0.7)

Source: Bloomberg, Bank of Baroda Research



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