

MORNING MOCHA

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ECONOMIST
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A slew of Fed officials reiterated the hawkish commentary of the central bank, with the Chicago Fed President stating that interest rates are likely to increase to a range of 4.5%-4.75%. Growth concerns abated after better than expected macro data (i.e. US consumer confidence and durable goods order). Hence, US treasury yields rose to a 12-year high (little shy of the 4% mark), while stocks tumbled to a 2-year low. Bond market rout in the UK continued, with investors awaiting BoE's policy response. In India, liquidity once again swung into the deficit zone.

- Global stocks ended mixed. Investors remained cautious tracking hawkish comments from Fed officials, better than expected Conference Board consumer confidence print, new home sales data and core capital goods orders data in the US. Stocks in China rose the most, supported by consumer and healthcare segment. Sensex fell by 0.1% dragged down by banking and capital goods stocks. It is trading lower today, in line with other Asian markets.

Fig 1 – Stock markets

	26-09-2022	27-09-2022	% change
Dow Jones	29,261	29,135	(0.4)
S & P 500	3,655	3,647	(0.2)
FTSE	7,021	6,985	(0.5)
Nikkei	26,432	26,572	0.5
Hang Seng	17,855	17,860	0
Shanghai Comp	3,051	3,094	1.4
Sensex	57,145	57,108	(0.1)
Nifty	17,016	17,007	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY ended flat despite stronger than expected data (consumer confidence and durable goods order). GBP recovered from a record low and rose by 0.4% supported by comments from BoE Chief Economist. However, EUR fell by 0.2% led by concerns over gas supplies. CNY fell to a 3-year low amidst mounting economic woes. INR appreciated by 0.1%. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	26-09-2022	27-09-2022	% change
EUR/USD	0.9609	0.9594	(0.2)
GBP/USD	1.0689	1.0733	0.4
USD/JPY	144.75	144.80	0
USD/INR	81.63	81.58	0.1
USD/CNY	7.1372	7.1761	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. Sell-off in the UK market continued with its 10Y yield rising by 24bps. Comments from BoE's Chief Economist suggest



'significant policy response' is forthcoming in response to the expansionary fiscal policy. US 10Y yield rose by 2bps and is nearing the 4% mark last seen during CY07. India's 10Y yield fell by 7bps (7.29%), tracking a fall in OIS rates. It is trading higher at 7.33% today as India's inclusion in global bond index might be delayed due to procedural issues.

Fig 3 – Bond 10Y yield

	26-09-2022	27-09-2022	change in bps
US	3.92	3.95	2
UK	4.24	4.51	26
Germany	2.12	2.23	12
Japan	0.25	0.25	0
China	2.70	2.69	(1)
India	7.36	7.29	(7)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-09-2022	27-09-2022	change in bps
Tbill-91 days	6.01	6.05	4
Tbill-182 days	6.54	6.57	3
Tbill-364 days	6.44	6.80	36
G-Sec 2Y	7.05	6.96	(9)
SONIA int rate benchmark	2.19	2.19	0
US SOFR	2.99	2.99	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-09-2022	27-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	0.1	0.3
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-09-2022	26-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(350.8)	(516.9)	(166.2)
Debt	(29.4)	53.4	82.8
Equity	(321.3)	(570.3)	(248.9)
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 oil prices rose by 2.6% amidst supply concerns due to Hurricane in Gulf of Mexico. Expectations of an output cut from OPEC+ also supported prices.

Fig 7 – Commodities

	26-09-2022	27-09-2022	% change
Brent crude (US\$/bbl)	84.1	86.3	2.6
Gold (US\$/ Troy Ounce)	1,622.4	1,628.9	0.4
Copper (US\$/ MT)	7,430.0	7,422.0	(0.1)
Zinc (US\$/MT)	2,936.0	2,875.0	(2.1)
Aluminium (US\$/MT)	2,139.5	2,114.0	(1.2)

Source: Bloomberg, Bank of Baroda Research



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