

## MORNING MOCHA

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ECONOMIST  
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BoE intervened to arrest the financial volatility in the market by announcing “purchases of long dated gilts in a temporary and targeted way” for the next 2 weeks. Under this programme, BoE bought ~ £ 1.02bn worth of government bonds yesterday. This drove global yields lower, and pushed GBP higher. Growth concerns and expectations of further rate hikes from Fed, drove CNY to its lowest since the Asian Financial Crisis. INR too weakened to a fresh record-low.

- Global stocks ended mixed. Investors remained cautious driven by an interplay of lot of factors-BoE’s unexpected announcement of temporary bond purchase for the next two weeks, continuing economic woes in China and the puzzling growth-inflation dynamics worldwide. US and European stocks rose, while Asian stocks declined. Sensex also fell by 0.9% dragged down by banking and power stocks. However, it is trading higher today, in line with other Asian markets.

**Fig 1 – Stock markets**

	27-09-2022	28-09-2022	% change
Dow Jones	29,135	29,684	1.9
S & P 500	3,647	3,719	2.0
FTSE	6,985	7,005	0.3
Nikkei	26,572	26,174	(1.5)
Hang Seng	17,860	17,251	(3.4)
Shanghai Comp	3,094	3,045	(1.6)
Sensex	57,108	56,598	(0.9)
Nifty	17,007	16,859	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY (lower), other global currencies gained. EUR and GBP rose sharply against the dollar, rising by 1.5% each. Investors assessed the impact of BoE’s bond buying programme. DXY fell by 1.3%. CNY weakened to a more than 14-year low amidst widening yield differential with the US. INR too depreciated by 0.3% to a new record low. However, it is trading stronger today, while other Asian currencies are trading weaker.

**Fig 2 – Currencies**

	27-09-2022	28-09-2022	% change
EUR/USD	0.9594	0.9735	1.5
GBP/USD	1.0733	1.0889	1.5
USD/JPY	144.80	144.16	0.4
USD/INR	81.58	81.94	(0.4)
USD/CNY	7.1761	7.2005	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except India and China (higher), global yields closed lower. This was on account of BoE’s decision to purchase bonds worth US\$ 71bn over the next 2 weeks. UK’s 10Y yield fell the most by 49bps followed by US (21bps). India’s



10Y yield rose by 4bps (7.33%), ahead of RBI's policy decision where a faster pace of rate hike is expected (our expectation: 50bps hike). It is trading at 7.30% today.

**Fig 3 – Bond 10Y yield**

	27-09-2022	28-09-2022	change in bps
US	3.95	3.73	(21)
UK	4.51	4.01	(49)
Germany	2.23	2.12	(11)
Japan	0.25	0.25	(1)
China	2.69	2.71	2
India	7.29	7.33	4

Source: Bloomberg, Bank of Baroda Research

- In the 210bn Tbill auction, cut off yields continued to soar (91-days: +30bps, 182-days: +21bps and 364-days: +15bps).

**Fig 4 – Short term rates**

	27-09-2022	28-09-2022	change in bps
Tbill-91 days	6.05	6.14	9
Tbill-182 days	6.57	6.61	4
Tbill-364 days	6.80	6.78	(2)
G-Sec 2Y	6.96	6.97	1
SONIA int rate benchmark	2.19	2.19	0
US SOFR	2.99	2.98	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	27-09-2022	28-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.1	0
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	26-09-2022	27-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(516.9)	(486.0)	30.9
Debt	53.4	(112.4)	(165.8)
Equity	(570.3)	(373.6)	196.7
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 crude prices edged up by 3.5% as data showed a larger than expected drawdown in US inventories. Prices were also supported by a weaker dollar.

**Fig 7 – Commodities**

	27-09-2022	28-09-2022	% change
Brent crude (US\$/bbl)	86.3	89.3	3.5
Gold (US\$/ Troy Ounce)	1,628.9	1,660.0	1.9
Copper (US\$/ MT)	7,422.0	7,520.0	1.3
Zinc (US\$/MT)	2,875.0	2,868.8	(0.2)
Aluminium (US\$/MT)	2,114.0	2,124.0	0.5

Source: Bloomberg, Bank of Baroda Research



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