

MORNING MOCHA

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ECONOMIST
Jahnvi

Fears of global economic slowdown resurfaced to the shore once again after global Central Banks kept their foot firm on the rate hike pedal; as they signalled more hikes are in the offing than was initially anticipated. Furthermore, other indicators such as moderation in flash global US PMI and retail sales added to the woes. As a result, corrections was seen across equity markets. Oil prices also dipped lower. Though, higher PMI (48.8 vs 47.8) for Europe offered some solace. This week, market will keenly await BoJ's rate decision, US Michigan Consumer sentiment and durable good orders. RBA and RBI's minutes will also be monitored.

- Apart from Hang Seng and Shanghai Comp (flat), other global equity indices suffered losses as fears surmounted around global growth after Central bank's hawkish tone. Nikkei (1.9%) ended in deep red, amongst other indices followed by FTSE (1.3%). Sensex also fell by 0.7%, led by subdued global cues. It was dragged down further by realty and cap good stocks. Weekly expiry of F&O contracts also impacted the market. However, it is trading higher today while other Asian stocks are trading lower.

Fig 1 – Stock markets

	15-12-2022	16-12-2022	% change
Dow Jones	33,202	32,920	(0.8)
S & P 500	3,896	3,852	(1.1)
FTSE	7,426	7,332	(1.3)
Nikkei	28,052	27,527	(1.9)
Hang Seng	19,369	19,451	0.4
Shanghai Comp	3,169	3,168	0
Sensex	61,799	61,338	(0.7)
Nifty	18,415	18,269	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Barring JPY (higher) and CNY (flat), other global currencies ended lower. DXY rose by 0.1% as risk appetite of investors weakened. Hawkish comments from major central banks (Fed, ECB and BoE) has resurfaced fears surrounding global recession. As a result, EUR and GBP fell the most. INR too depreciated by 0.1%, despite fall in oil prices. It is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	15-12-2022	16-12-2022	% change
EUR/USD (1 EUR / USD)	1.0628	1.0586	(0.4)
GBP/USD (1 GBP / USD)	1.2178	1.2148	(0.2)
USD/JPY (JPY / 1 USD)	137.78	136.60	0.9
USD/INR (INR / 1 USD)	82.75	82.87	(0.1)
USD/CNY (CNY / 1 USD)	6.9738	6.9740	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (flat), other global bond yields closed higher. 10Y yields in UK (9bps), Germany (7bps) and US (4bps) rose the most. As global central banks (Fed, ECB, BoE) have indicated that rates will remain elevated for a foreseeable period, risks to recession have increased. US economy is already showing signs of slowdown (retail sales, PMI). India's 10Y yield rose by 1bps. However, it is trading lower at 7.28% today.

Fig 3 – Bond 10Y yield

	15-12-2022	16-12-2022	change in bps
US	3.45	3.48	4
UK	3.24	3.33	9
Germany	2.08	2.15	7
Japan	0.26	0.25	0
China	2.92	2.91	0
India	7.27	7.28	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-12-2022	16-12-2022	change in bps
Tbill-91 days	6.39	6.39	0
Tbill-182 days	6.72	6.69	(3)
Tbill-364 days	6.85	6.86	1
G-Sec 2Y	6.86	6.94	8
SONIA int rate benchmark	2.93	3.43	50
US SOFR	3.80	4.32	52

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-12-2022	16-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	0.4	(1.4)
Reverse repo	0.3	0	(0.3)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-12-2022	15-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	14.5	150.8	136.3
Debt	(25.7)	(35.7)	(10.1)
Equity	40.2	186.5	146.4
Mutual funds (Rs cr)	(85.7)	136.6	222.3
Debt	(69.5)	(569.2)	(499.7)
Equity	(16.2)	705.8	722.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 7 Dec 2022 and 8 Dec 2022

- Crude oil prices fell by 2.7% to US\$ 79/bbl, amidst news of possible slowdown in global growth with Central Banks across the globe signalling hawkish tone.

Fig 7 – Commodities

	15-12-2022	16-12-2022	% change
Brent crude (US\$/bbl)	81.2	79.0	(2.7)
Gold (US\$/ Troy Ounce)	1,776.9	1,793.1	0.9
Copper (US\$/ MT)	8,253.0	8,234.0	(0.2)
Zinc (US\$/MT)	3,180.8	3,048.5	(4.2)
Aluminium (US\$/MT)	2,384.0	2,375.0	(0.4)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com