

## MORNING MOCHA

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Markets are in a cautious mood ahead of the Fed policy decision. While a 75bps rate hike is expected as per the CME Fed watch tool data, money market is not ruling out a slower pace of rate hike of 50bps as well. Former US treasury Secretary said that Fed should stay on course with regard to its rate hike plan in order to avoid any misguided signals. In the US, slew of macro data points pointed to some revival. Job openings rose more than expected, indicating buoyant labour market conditions. ISM manufacturing data also firmed up to 50.2 against expectation of 50. In UK as well, manufacturing data was better than estimated at 46.2 (est.: 45.8). Inflation still remained a concern. In South Korea, CPI print was at 5.7% in Oct'22 against 5.6% in Sep'22. On domestic front, markets remain steadfast eyeing the MPC meeting.

- Barring US, other global indices ended higher ahead of Fed's rate decision. Investors are expected to scrutinize Fed Chair comments in order to gauge any signals for future rate hike. Hang Seng (5.2%) gained the most followed by Shanghai Comp (2.6%) amidst news report of China possibly overthrowing Covid-zero policy. Sensex ended in green led by gains in power and IT stocks. It is trading lower today while other Asian stocks are trading higher.

**Fig 1 – Stock markets**

	31-10-2022	1-11-2022	% change
Dow Jones	32,733	32,653	(0.2)
S & P 500	3,872	3,856	(0.4)
FTSE	7,095	7,186	1.3
Nikkei	27,587	27,679	0.3
Hang Seng	14,687	15,455	5.2
Shanghai Comp	2,893	2,969	2.6
Sensex	60,747	61,121	0.6
Nifty	18,012	18,145	0.7

Source: Bloomberg, Bank of Baroda Research

- Except Euro, other global currencies ended higher. DXY ended flat as investors turned their focus towards Fed's rate decision with the likelihood of 75bps rate hike. Yen gained by 0.3% as BoJ minutes highlighted continuing with its ultra-loose monetary policy. INR appreciated by 0.1%. It is trading stronger today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	31-10-2022	1-11-2022	% change
EUR/USD	0.9882	0.9877	(0.1)
GBP/USD	1.1469	1.1484	0.1
USD/JPY	148.71	148.27	0.3
USD/INR	82.79	82.71	0.1
USD/CNY	7.3050	7.2775	0.4

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (higher), global yields closed lower. UK's 10Y yield fell by 5bps ahead of BoE policy decision where a 75bps rate hike is expected and then a slower pace of rate hike of 50bps in its Dec'22 meeting is anticipated. Both US and Germany's 10Y yield inched up by 1bps each, eyeing Fed policy. India's 10Y yield fell by 5bps (7.40%). It is trading at 7.41% today.

**Fig 3 – Bond 10Y yield**

	31-10-2022	1-11-2022	change in bps
US	4.05	4.04	(1)
UK	3.52	3.47	(5)
Germany	2.14	2.13	(1)
Japan	0.25	0.26	1
China	2.65	2.67	2
India	7.45	7.40	(5)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	31-10-2022	1-11-2022	change in bps
Tbill-91 days	6.42	6.44	2
Tbill-182 days	6.70	6.64	(6)
Tbill-364 days	6.87	6.90	3
G-Sec 2Y	7.01	7.01	0
SONIA int rate benchmark	2.19	2.18	0
US SOFR	3.05	3.05	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	31-10-2022	1-11-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	(0.2)	(0.4)
Reverse repo	0.1	0	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	28-10-2022	31-10-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(49.4)	593.4	642.8
Debt	(240.8)	(246.1)	(5.2)
Equity	191.5	839.4	648.0
Mutual funds (Rs cr)	(203.0)	2,262.9	2,465.9
Debt	(1,576.2)	977.5	2,553.8
Equity	1,373.2	1,285.4	(87.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Oct 2022 and 17 Oct 2022

- Crude oil prices fell by 0.2% to US\$ 94.7/bbl, despite surprise drawdown in US inventory.

**Fig 7 – Commodities**

	31-10-2022	1-11-2022	% change
Brent crude (US\$/bbl)	94.8	94.7	(0.2)
Gold (US\$/ Troy Ounce)	1,633.6	1,648.0	0.9
Copper (US\$/ MT)	7,522.0	7,717.0	2.6
Zinc (US\$/MT)	2,735.5	2,770.0	1.3
Aluminium (US\$/MT)	2,222.0	2,242.5	0.9

Source: Bloomberg, Bank of Baroda Research



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