

MORNING MOCHA

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ECONOMIST
Jahnvi

Global market digested mixed news of upbeat US consumer confidence, corporate earnings and subdued home sales data. On domestic front, RBI governor warned of the possibility of the next financial crisis coming in from private cryptocurrencies and noted the need of strict prohibition. Recently, FTX one of the largest cryptocurrency exchange had also collapsed. Aluminium prices inched up and are likely to remain elevated in short term amidst news of Indonesia (major exporter) considering bauxite ban. Market will monitor Indonesia's rate decision today.

- Global indices ended mixed. Nikkei continued to trade in losses for the 2nd straight day after BoJ's policy tweak. US indices registered strong gains on the back of improvement in consumer confidence (8-month high in Dec'22). On the other hand, Sensex ended in red with India's VIX jumping by 13% as fears of Covid-19 cases resurfaced. Power and oil & gas stocks suffered the most. However, it is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	20-12-2022	21-12-2022	% change
Dow Jones	32,850	33,376	1.6
S & P 500	3,822	3,878	1.5
FTSE	7,371	7,497	1.7
Nikkei	26,568	26,388	(0.7)
Hang Seng	19,095	19,160	0.3
Shanghai Comp	3,074	3,068	(0.2)
Sensex	61,702	61,067	(1.0)
Nifty	18,385	18,199	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Global currencies fell across board, with GBP (-0.8%) and JPY (-0.6%) depreciating the most. DXY rose by 0.2%. JPY witnessed some correction and was also moved by thin liquidity during the holiday season. GBP reacted to data on government borrowings in Nov'22. INR too fell by 0.1%, as crude prices inched further up. However, it is trading higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	20-12-2022	21-12-2022	% change
EUR/USD (1 EUR / USD)	1.0624	1.0605	(0.2)
GBP/USD (1 GBP / USD)	1.2183	1.2082	(0.8)
USD/JPY (JPY / 1 USD)	131.73	132.46	(0.6)
USD/INR (INR / 1 USD)	82.76	82.82	(0.1)
USD/CNY (CNY / 1 USD)	6.9619	6.9818	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While 10Y yields rose the most in Japan and Germany, they were down in US in and UK. Japan's 10Y yield was up by



another 7bps, reacting to BoJ's change in yield target, while investors in Germany are cautious over amount of public spending required in CY23. On the other hand, higher government borrowings in the UK and dip in existing home sales in the US, have raised alarm bells in these economies. Investors are hoping for an early pause by Fed in CY23. India's yield fell by 1bps, but is trading a tad higher at 7.30% today.

Fig 3 – Bond 10Y yield

	20-12-2022	21-12-2022	change in bps
US	3.68	3.66	(2)
UK	3.60	3.57	(2)
Germany	2.30	2.31	1
Japan	0.41	0.48	7
China	2.90	2.89	0
India	7.30	7.29	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-12-2022	21-12-2022	change in bps
Tbill-91 days	6.45	6.39	(6)
Tbill-182 days	6.75	6.75	0
Tbill-364 days	6.89	6.89	0
G-Sec 2Y	6.95	6.92	(2)
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-12-2022	21-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	0.5	0.2
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-12-2022	20-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(88.1)	146.3	234.4
Debt	(71.5)	(0.9)	70.6
Equity	(16.6)	147.1	163.8
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 rose by 2.8% to US\$ 82/bbl led by drawdown in US crude stocks. Relaxation of Covid-19 norms in China further pushed prices up.

Fig 7 – Commodities

	20-12-2022	21-12-2022	% change
Brent crude (US\$/bbl)	80.0	82.2	2.8
Gold (US\$/ Troy Ounce)	1,817.9	1,814.4	(0.2)
Copper (US\$/ MT)	8,333.8	8,369.5	0.4
Zinc (US\$/MT)	3,120.5	3,031.0	(2.9)
Aluminium (US\$/MT)	2,372.5	2,391.5	0.8

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