

MORNING MOCHA

10 May 2022

ECONOMIST
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Concerns over global growth drove global markets. China tightened lockdown restrictions in Shanghai, raising concerns over supply chain issues and demand slowdown. In addition, investors also remain wary of persistently high inflation, Russia-Ukraine war and monetary tightening by global central banks. As a result, the sell-off in global stocks intensified and bond yields slipped. Even in India, inflationary concerns and persistent FPI outflows drove INR to a historic low. Bond yields too continue to remain elevated, though there has been some moderation today.

- Global markets extended the sell-off led by concerns around global growth, tighter monetary policy and fears of further spike in inflation. S&P 500 (3.2%) ended at a 1-year low. Sensex (0.7%) too fell led by subdued global cues and was dragged down by sharp losses in consumer durable and power stocks. However, it is trading higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	06-05-2022	09-05-2022	% change
Dow Jones	32,899	32,246	(2.0)
S & P 500	4,123	3,991	(3.2)
FTSE	7,388	7,217	(2.3)
Nikkei	27,004	26,319	(2.5)
Hang Seng	20,793	20,002	(3.8)
Shanghai Comp	3,002	3,004	0.1
Sensex	54,836	54,471	(0.7)
Nifty	16,411	16,302	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. JPY edged up amidst concerns over global growth. DXY closed flat. CNY fell sharply by 1% to its lowest since Oct'20 as China tightened lockdown restrictions in Shanghai. INR too depreciated sharply by 0.7% to a record-low amidst concerns over inflation, persistent FPI outflows and dollar strength. It is trading lower today but continues to remain above the 77/\$ mark. Other Asian currencies are also trading higher today.

Fig 2 – Currencies

	06-05-2022	09-05-2022	% change
EUR/USD	1.0551	1.0561	0.1
GBP/USD	1.2348	1.2332	(0.1)
USD/JPY	130.56	130.29	0.2
USD/INR	76.93	77.46	(0.7)
USD/CNY	6.6668	6.7308	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except Japan (stable) and India (higher), other global yields closed lower. US 10Y yield fell by 9bps ahead of key US CPI data. 10Y yields in Germany and UK also edged down by 4bps each. India's 10Y yield rose by 2bps to 7.47%.



Investors await CPI data for Apr'22. We expect CPI inflation at 7.2%. However, it is trading lower at 7.37% today.

Fig 3 – Bond 10Y yield

	06-05-2022	09-05-2022	change in bps
US	3.13	3.03	(9)
UK	2.00	1.96	(4)
Germany	1.13	1.10	(4)
Japan	0.24	0.25	0
China	2.83	2.82	(1)
India	7.45	7.47	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-05-2022	09-05-2022	% change
Tbill-91 days	4.51	4.51	0
Tbill-182 days	5.09	5.13	4
Tbill-364 days	5.42	5.43	1
SONIA int rate benchmark	0.94	0.94	0
US SOFR	0.79	0.78	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-05-2022	09-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(4.7)	(4.8)	(0.1)
Reverse repo	0.5	3.9	3.4
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	05-05-2022	06-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(189.4)	(817.5)	(628.1)
Debt	15.7	(215.8)	(231.5)
Equity	(205.1)	(601.7)	(396.7)
Mutual funds (Rs cr)	1,232.5	(1,152.8)	(2,385.4)
Debt	(329.0)	(1,459.9)	(1,130.9)
Equity	1,561.5	307.1	(1,254.4)

Source: Bloomberg, Bank of Baroda Research

- Crude oil prices fell by 6% to US\$ 106/bbl as Covid-19 restrictions in China cast a shadow on demand outlook. Other global commodities too ended lower. Gold prices retreated to its lowest level since Jul'21.

Fig 7 – Commodities

	06-05-2022	09-05-2022	% change
Brent crude (US\$/bbl)	112.4	105.9	(5.7)
Gold (US\$/ Troy Ounce)	1,883.8	1,854.2	(1.6)
Copper (US\$/ MT)	9,411.0	9,240.4	(1.8)
Zinc (US\$/MT)	3,787.8	3,624.0	(4.3)
Aluminium (US\$/MT)	2,842.0	2,755.0	(3.1)

Source: Bloomberg, Bank of Baroda Research



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