

## MORNING MOCHA

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ECONOMIST  
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Global markets await US CPI print (est. 8.5% YoY) to gauge Fed' future policy decisions. Several Fed officials reiterated the need for 50bps rate hikes to tame surging inflation. Thus, DXY index strengthened further to hover around a 20-year high. In China, while CPI inflation inched up, PPI inflation eased to 8% (8.3% in Mar'22) thus leaving room for PBOC to step up support for the economy. In Germany, investor sentiment index improved.

- Global equities ended mixed. Investors keenly await US CPI data. While Dow Jones fell by 0.3%, S&P 500 rose by 0.2%. In Asia, while Hang Seng and Nikkei fell by 1.8% and 0.6% respectively, Shanghai Comp rose by 1.1%. Sensex declined by 0.2% led by losses in metal, power and real estate stocks. However, it is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	09-05-2022	10-05-2022	% change
Dow Jones	32,246	32,161	(0.3)
S & P 500	3,991	4,001	0.2
FTSE	7,217	7,243	0.4
Nikkei	26,319	26,167	(0.6)
Hang Seng	20,002	19,634	(1.8)
Shanghai Comp	3,004	3,036	1.1
Sensex	54,471	54,365	(0.2)
Nifty	16,302	16,240	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies depreciated against the dollar. DXY rose by 0.2% to hover around a 20-year high ahead of US CPI data. EUR depreciated by 0.3% on growth concerns, even as ZEW's economic sentiment index for Germany showed improvement in May'22. GBP, JPY and CNY fell by 0.1% each. On the other hand, INR strengthened by 0.2% as oil prices declined. It is trading further higher today in line with other Asian currencies.

**Fig 2 – Currencies**

	09-05-2022	10-05-2022	% change
EUR/USD	1.0561	1.0529	(0.3)
GBP/USD	1.2332	1.2316	(0.1)
USD/JPY	130.29	130.45	(0.1)
USD/INR	77.46	77.32	0.2
USD/CNY	6.7308	6.7347	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except Japan (stable), global yields closed lower amidst growing concerns over recessionary risks. UK's 10Y yield fell by 11bps, followed by Germany (-10bps) and US (-4bps). Elsewhere, Cleveland Fed President commented on 50bps hike being feasible in the upcoming policies. Even Bundesbank Chief said ECB



should raise rates in Jul'22. India's 10Y yield fell by 17bps (7.30%) amidst expectation of OMO purchase announcement by RBI and conduct of switch operations by the government. It is trading at 7.31% today.

**Fig 3 – Bond 10Y yield**

	09-05-2022	10-05-2022	change in bps
US	3.03	2.99	(4)
UK	1.96	1.85	(11)
Germany	1.10	1.00	(10)
Japan	0.25	0.25	0
China	2.82	2.81	(1)
India	7.47	7.30	(17)

Source: Bloomberg, Bank of Baroda Research

- India's short term yields rose sharply. Markets await Rs 330bn auction today.

**Fig 4 – Short term rates**

	09-05-2022	10-05-2022	% change
Tbill-91 days	4.51	4.51	18
Tbill-182 days	5.13	5.13	15
Tbill-364 days	5.43	5.43	10
G-Sec 2Y	6.31	6.15	(3)
SONIA int rate benchmark	0.94	0.94	0
US SOFR	0.78	0.78	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	09-05-2022	10-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(4.8)	(5.0)	(0.2)
Reverse repo	3.9	3.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	06-05-2022	09-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(817.5)	(338.4)	479.1
Debt	(215.8)	35.3	251.1
Equity	(601.7)	(373.7)	228.0
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 prices fell by 3.3% to US\$ 103/bbl as demand outlook remains mired by concerns of recession. This prompted US EIA to trim its crude oil production forecasts for CY22 and CY23. Gold prices fell by 0.9% as DXY inched up.

**Fig 7 – Commodities**

	09-05-2022	10-05-2022	% change
Brent crude (US\$/bbl)	105.9	102.5	(3.3)
Gold (US\$/ Troy Ounce)	1,854.2	1,838.3	(0.9)
Copper (US\$/ MT)	9,240.4	9,235.8	(0.1)
Zinc (US\$/MT)	3,624.0	3,608.5	(0.4)
Aluminium (US\$/MT)	2,755.0	2,753.5	(0.1)

Source: Bloomberg, Bank of Baroda Research



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