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Global growth concerns drove markets lower worldwide. Aggressive policy tightening by global central banks, Covid-19 situation in China and EU's ban on Russian energy imports continue to cloud the global growth outlook. Demand for safe-havens such as dollar and yen increased. UK's GDP for Mar'22 contracted unexpectedly (MoM). While US PPI moderated in Apr'22, jobless claims rose to a 3-month high. In India, CPI inflation accelerated to an 8-year high. As a result, 10Y yield jumped sharply by 7bps today. Higher inflation will weigh on consumption and growth. We expect RBI to hike rates by 25-35bps in Jun'22.

- Concerns of slowdown in global growth, monetary tightening cycle and high inflation pushed global indices lower. Hang Seng (2.2%) dropped the most. FTSE fell by 1.6% as fears of possible recession weighed on cyclical stocks. Sensex too ended in red led by subdued global cues. Power and metal stocks fell the most. However, it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	11-05-2022	12-05-2022	% change
Dow Jones	31,834	31,730	(0.3)
S & P 500	3,935	3,930	(0.1)
FTSE	7,348	7,233	(1.6)
Nikkei	26,214	25,749	(1.8)
Hang Seng	19,825	19,380	(2.2)
Shanghai Comp	3,059	3,055	(0.1)
Sensex	54,088	52,930	(2.1)
Nifty	16,167	15,808	(2.2)

Source: Bloomberg, Bank of Baroda Research

- JPY and DXY gained on the back of safe-haven demand as concerns over global economic outlook intensified. While JPY rose by 1.3%, DXY too gained 1% (highest since Dec'02). GBP fell by 0.4% as UK's GDP rose less than expected in Q1CY22. INR depreciated by 0.2% amidst FPI outflows. However, it is trading higher today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	11-05-2022	12-05-2022	% change
EUR/USD	1.0513	1.0380	(1.3)
GBP/USD	1.2251	1.2202	(0.4)
USD/JPY	129.97	128.34	1.3
USD/INR	77.24	77.43	(0.2)
USD/CNY	6.7217	6.7863	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except Japan (stable) and India (higher), global yields closed lower. UK's 10Y yield fell sharply by 17bps as GDP growth in Mar'22 contracted by 0.1%, raising fears of recession. Germany's 10Y yield also fell by 15bps amidst tussle with



Russia over ban on energy imports. US 10Y yield declined by 7bps as US jobless claims rose to a 3-month high. India's 10Y yield rose by 3bps to 7.24%, and is trading further higher at 7.31% as CPI inflation rose more than expected in Apr'22.

Fig 3 – Bond 10Y yield

	11-05-2022	12-05-2022	change in bps
US	2.92	2.85	(7)
UK	1.83	1.66	(17)
Germany	0.99	0.84	(15)
Japan	0.25	0.25	0
China	2.83	2.81	(1)
India	7.22	7.24	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-05-2022	12-05-2022	% change
Tbill-91 days	4.9	4.9	(2)
Tbill-182 days	5.3	5.4	4
Tbill-364 days	5.8	5.9	3
G-Sec 2Y	6.2	6.3	6
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.8	0.8	0

Source: Bloomberg, Bank of Baroda Research ; Note data for mutual fund pertains to 5th and 6th May 2022

Fig 5 – Liquidity

Rs tn	11-05-2022	12-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(4.9)	(4.9)	0
Reverse repo	3.9	3.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-05-2022	11-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(650.6)	(385.7)	264.9
Debt	(201.3)	3.0	204.3
Equity	(449.4)	(388.7)	60.6
Mutual funds (Rs cr)	(1,037.9)	670.4	1,708.4
Debt	(2,579.8)	66.3	2,646.0
Equity	1,541.8	604.2	(937.7)

Source: Bloomberg, Bank of Baroda Research

- Crude prices fell marginally by 0.1%. Both demand (weaker global growth, China's Covid-19 situation) and supply concerns (EU's impending ban on Russian oil) continue to weigh on the outlook. Gold prices dropped amidst a rally in dollar.

Fig 7 – Commodities

	11-05-2022	12-05-2022	% change
Brent crude (US\$/bbl)	107.5	107.5	(0.1)
Gold (US\$/ Troy Ounce)	1,852.4	1,821.8	(1.7)
Copper (US\$/ MT)	9,358.8	9,103.5	(2.7)
Zinc (US\$/MT)	3,683.5	3,539.3	(3.9)
Aluminium (US\$/MT)	2,778.0	2,742.0	(1.3)

Source: Bloomberg, Bank of Baroda Research



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