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Global stock markets ended in red and 10Y yields inched up, as investors fear more aggressive rate hike by US Fed to tame the inflation. Tight liquidity conditions and elevated price pressures may dent demand, thus increasing the possibility of economic recession. Latest print from UK shows that the monthly GDP rose by 0.2% (est.: 0.4%) in Apr'22, slowing from 0.8% in Mar'22. Industrial production contracted by 0.6% (est.: 0.3% increase) with manufacturing output declining by 1%. Both shortage of supplies and increasing input costs have impacted the output.

- Global indices continued to slide as investors turned their focus towards upcoming Fed policy meet. S&P500 tumbled by 3.9%, signalling the entry into bear market and aggravating fears of recession. Hang Seng and Nikkei ended lower by 3.4% and 3% respectively. Sensex (2.7%) too ended in deep red led by sharp losses in IT and metal stocks. It is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

| | 10-06-2022 | 13-06-2022 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 31,393 | 30,517 | (2.8) |
| S & P 500 | 3,901 | 3,750 | (3.9) |
| FTSE | 7,318 | 7,206 | (1.5) |
| Nikkei | 27,824 | 26,987 | (3.0) |
| Hang Seng | 21,806 | 21,068 | (3.4) |
| Shanghai Comp | 3,285 | 3,256 | (0.9) |
| Sensex | 54,303 | 52,847 | (2.7) |
| Nifty | 16,202 | 15,774 | (2.6) |

Source: Bloomberg, Bank of Baroda Research

- Barring JPY, other global currencies ended lower against the dollar. DXY climbed to 20-year high ahead of the much-anticipated hawkish Fed policy. GBP was under pressure and fell by 1.5% amidst disappointing GDP print. INR depreciated by 0.3% and hit a record low at 78/US\$. However, it is trading higher today while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 10-06-2022 | 13-06-2022 | % change |
|---------|------------|------------|----------|
| EUR/USD | 1.0519 | 1.0409 | (1.0) |
| GBP/USD | 1.2315 | 1.2134 | (1.5) |
| USD/JPY | 134.41 | 134.42 | 0 |
| USD/INR | 77.84 | 78.04 | (0.3) |
| USD/CNY | 6.7091 | 6.7546 | (0.7) |

Source: Bloomberg, Bank of Baroda Research

- Barring Japan (flat), other major global yields rose sharply. US (20bps), Germany (12bps) and UK's (8bps) 10Y yields rose the most. Investor sentiments were dented by US' red hot inflation print raising fears of aggressive



rate hikes by Fed, thus tipping the economy into recession. Following global cues, India's 10Y yield too rose by 8bps to 7.6%.

Fig 3 – Bond 10Y yield

| | 10-06-2022 | 13-06-2022 | change in bps |
|---------|------------|------------|---------------|
| US | 3.16 | 3.36 | 20 |
| UK | 2.45 | 2.53 | 8 |
| Germany | 1.52 | 1.63 | 12 |
| Japan | 0.25 | 0.26 | 0 |
| China | 2.79 | 2.81 | 1 |
| India | 7.52 | 7.60 | 8 |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 10-06-2022 | 13-06-2022 | % change |
|--------------------------|------------|------------|----------|
| Tbill-91 days | 5.0 | 5.0 | (1) |
| Tbill-192 days | 5.6 | 5.6 | 4 |
| Tbill-364 days | 6.1 | 6.1 | 3 |
| G-Sec 2Y | 6.5 | 6.6 | 6 |
| SONIA int rate benchmark | 0.9 | 0.9 | 0 |
| US SOFR | 0.8 | 0.8 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 10-06-2022 | 13-06-2022 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (3.5) | (3.6) | (0.1) |
| Reverse repo | 1.0 | 1.0 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 09-06-2022 | 10-06-2022 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (180.7) | (624.6) | (443.9) |
| Debt | (0.6) | (215.9) | (215.3) |
| Equity | (180.1) | (408.7) | (228.6) |
| Mutual funds (Rs cr) | (1,011.0) | 495.3 | 1,506.4 |
| Debt | (1,508.0) | (457.9) | 1,050.2 |
| Equity | 497.0 | 953.2 | 456.2 |

Source: Bloomberg, Bank of Baroda Research; Note-Mutual Fund data pertains to 7 and 8 June 2022

- Brent crude prices rose by 0.2%. Prices were impacted by tight supply owing to drop in exports from Libya and possibility of dented consumer demand. Gold prices fell by 2.8% as US\$ strengthened.

Fig 7 – Commodities

| | 10-06-2022 | 13-06-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 122.0 | 122.3 | 0.2 |
| Gold (US\$/ Troy Ounce) | 1,871.6 | 1,819.3 | (2.8) |
| Copper (US\$/ MT) | 9,447.3 | 9,285.5 | (1.7) |
| Zinc (US\$/MT) | 3,706.8 | 3,627.8 | (2.1) |
| Aluminium (US\$/MT) | 2,680.0 | 2,628.0 | (1.9) |

Source: Bloomberg, Bank of Baroda Research



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