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Global investors remain cautious as elevated inflation prints increase the risk of aggressive rate hikes by central banks. Input prices still remain a concern in the US with PPI rising by 0.8% in May'22 versus 0.4% in Apr'22. CPI in Germany too was confirmed at 7.9% in May'22 versus 7.4% in Apr'22. Tight monetary conditions also increase the risk of global growth slowdown. On the brighter side, China's industrial output rebounded in May'22 posting 0.7% increase (est.: -0.7%) versus (-) 2.9% in Apr'22. Retails sales contracted less (-6.7%) than expected (-7.1%) in May'22.

- Barring Hang Seng (flat) and Shanghai Comp (higher), other global indices ended lower amidst surge in global inflation print and escalated fears of recession, ahead of the US Fed policy meet. Nikkei (1.3%) dropped the most. Sensex (0.3%) also ended in red led by losses in oil and gas stocks. It is further trading lower today, while other Asian indices are trading higher.

Fig 1 – Stock markets

	13-06-2022	14-06-2022	% change
Dow Jones	30,517	30,365	(0.5)
S & P 500	3,750	3,735	(0.4)
FTSE	7,206	7,187	(0.3)
Nikkei	26,987	26,630	(1.3)
Hang Seng	21,068	21,068	0
Shanghai Comp	3,256	3,289	1.0
Sensex	52,847	52,694	(0.3)
Nifty	15,774	15,732	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.4% and continued to rally upwards as it scaled towards a two-decade high, ahead of the Fed policy outcome. GBP slid by 1.1% amidst weaker data print (wages falling at fastest pace in over 20-years and higher unemployment rate). INR ended flat after touching a record low at 78/US\$. It is trading lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	13-06-2022	14-06-2022	% change
EUR/USD	1.0409	1.0416	0.1
GBP/USD	1.2134	1.1997	(1.1)
USD/JPY	134.42	135.47	(0.8)
USD/INR	78.04	78.01	0
USD/CNY	6.7546	6.7410	0.2

Source: Bloomberg, Bank of Baroda Research

- Barring Japan and India (lower), other major global yields rose further. Germany (13bps), US (11bps) and UK's (6bps) 10Y yields rose the most. Yields have been increasing in response to rising probability of aggressive rate hikes by



central banks and growing fears of economic recession. US PPI rose by 0.8% in May'22, up from 0.4% in Apr'22. India's 10Y yield fell by 2bps to 7.58% as oil prices eased.

Fig 3 – Bond 10Y yield

	13-06-2022	14-06-2022	change in bps
US	3.36	3.47	11
UK	2.53	2.59	6
Germany	1.63	1.76	13
Japan	0.26	0.25	(1)
China	2.81	2.81	1
India	7.60	7.58	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	13-06-2022	14-06-2022	% change
Tbill-91 days	5.0	5.0	1
Tbill-192 days	5.6	5.6	(1)
Tbill-364 days	6.1	6.1	0
G-Sec 2Y	6.6	6.6	0
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.8	0.7	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	13-06-2022	14-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.6)	(3.6)	0
Reverse repo	1.0	0.6	(0.4)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-06-2022	13-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(624.6)	(498.6)	126.0
Debt	(215.9)	(42.2)	173.7
Equity	(408.7)	(456.4)	(47.6)
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 fell by 0.9% as investors remain cautious against re-imposition of lockdown restrictions in China and growing worries around global recession. Gold prices too fell by 0.6% as US\$ strengthened further.

Fig 7 – Commodities

	13-06-2022	14-06-2022	% change
Brent crude (US\$/bbl)	122.3	121.2	(0.9)
Gold (US\$/ Troy Ounce)	1,819.3	1,808.5	(0.6)
Copper (US\$/ MT)	9,285.5	9,218.8	(0.7)
Zinc (US\$/MT)	3,627.8	3,629.8	0.1
Aluminium (US\$/MT)	2,628.0	2,570.0	(2.2)

Source: Bloomberg, Bank of Baroda Research



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