

MORNING MOCHA

17 June 2022

ECONOMIST
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Rate hike spree of global central banks continued, with Bank of Japan (BoJ) still remaining an exception. Swiss National Bank (SNB) for the first time in past 15 years raised policy rate by 50bps. Bank of England (BoE) also went for 5th straight rate hike of 25bps, highest level in past 13 years, on account of inflation reigning at its 40-year high. BoJ however, continued with its ultra-dovish monetary response to support growth. Post policy, yen has further weakened by 1.2%.

- Global stock rout intensified as rate hikes by BoE and SNB exacerbated concerns over global growth. Barring Nikkei, other equity indices ended sharply lower. S&P 500 and FTSE dropped the most by 3.3% and 3.1% respectively. Sensex too declined by 2%, amidst weak global cues. Metal and real estate stocks fell the most. It is trading further lower today in line with its Asian peers.

Fig 1 – Stock markets

	15-06-2022	16-06-2022	% change
Dow Jones	30,669	29,927	(2.4)
S & P 500	3,790	3,667	(3.3)
FTSE	7,273	7,045	(3.1)
Nikkei	26,326	26,431	0.4
Hang Seng	21,308	20,845	(2.2)
Shanghai Comp	3,305	3,285	(0.6)
Sensex	52,541	51,496	(2.0)
Nifty	15,692	15,361	(2.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended broadly higher. DXY fell sharply by 1.5% as US Fed lowered its growth projections for CY22. GBP gained the most by 1.4% as BoE raised policy rate by 25bps. EUR was up by 1% amidst a spike in German 10Y bond yield. INR depreciated a tad to a fresh historic low of 78.08/\$, weighed down by higher oil prices and weakness in domestic equity markets. However, it is trading higher today, while other Asian currencies are trading lower.

Fig 2 – Currencies

	15-06-2022	16-06-2022	% change
EUR/USD	1.0444	1.0549	1.0
GBP/USD	1.2180	1.2352	1.4
USD/JPY	133.84	132.21	1.2
USD/INR	78.07	78.08	0
USD/CNY	6.7149	6.7044	0.2

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. Japan's 10Y yield closed stable awaiting BoJ's decision. Today, post ultra-loose policy, it is trading lower. US 10Y yield fell by 9bps as macro prints remained weaker (jobless claims fell less than expected and housing starts print was at its 13-month low). Germany's 10Y yield on the



other hand, rose by 7bps on expectation of faster pace of rate hike from ECB. Notably, in its adhoc meeting, ECB created new tool to address fragmentation risk and temper bond rout. India's 10Y yield rose by 3bps (7.62%) tracking 5-year OIS rates (which rose by 8bps to 7.34%). It is trading at 7.6% today.

Fig 3 – Bond 10Y yield

	15-06-2022	16-06-2022	change in bps
US	3.28	3.20	(9)
UK	2.47	2.52	5
Germany	1.64	1.71	7
Japan	0.26	0.26	0
China	2.82	2.82	(1)
India	7.59	7.62	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-06-2022	16-06-2022	% change
Tbill-91 days	5.0	5.1	1
Tbill-192 days	5.7	5.7	(1)
Tbill-364 days	6.3	6.2	(1)
G-Sec 2Y	6.6	6.6	8
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.7	0.7	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	14-06-2022	15-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.5)	(2.9)	0.6
Reverse repo	1.0	1.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-06-2022	15-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(565.6)	(416.0)	149.6
Debt	(12.7)	14.1	26.7
Equity	(552.9)	(430.1)	122.8
Mutual funds (Rs cr)	2,579.0	897.3	(1,681.7)
Debt	276.2	865.0	588.8
Equity	2,302.8	32.3	(2,270.4)

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 1.1% to US\$ 120/bbl, as US announced new sanctions on Iran which aggravated supply concerns. Further, IEA said it expects demand to rise further in CY23. Gold prices rose by 1.3%, amidst safe haven demand due to fear of growth slowdown.

Fig 7 – Commodities

	15-06-2022	16-06-2022	% change
Brent crude (US\$/bbl)	118.5	119.8	1.1
Gold (US\$/ Troy Ounce)	1,833.8	1,857.3	1.3
Copper (US\$/ MT)	9,224.5	9,079.8	(1.6)
Zinc (US\$/MT)	3,698.5	3,630.5	(1.8)
Aluminium (US\$/MT)	2,592.5	2,504.5	(3.4)

Source: Bloomberg, Bank of Baroda Research



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