

MORNING MOCHA

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ECONOMIST
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Investors remained concerned about global economic recovery which remains fragile as inflationary pressure continue to build on globally. Subdued data print from China further added to the concerns. Global crude prices surged once again. DXY declined from its 20-year high. Investors will closely monitor earnings report and Fed Chair's speech scheduled later today.

- Barring S&P500 and Shanghai Comp (lower), other global indices started the week on a positive note. FTSE (0.6%) rose the most followed by Nikkei (0.5%). On the other hand, Shanghai Comp dropped by 0.3% led by disappointing data print (retail sales and industrial output). Sensex (0.3%) ended in green led by advancement in banking and auto stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	13-05-2022	16-05-2022	% change
Dow Jones	32,197	32,223	0.1
S & P 500	4,024	4,008	(0.4)
FTSE	7,418	7,465	0.6
Nikkei	26,428	26,547	0.5
Hang Seng	19,899	19,950	0.3
Shanghai Comp	3,084	3,074	(0.3)
Sensex	52,794	52,974	0.3
Nifty	15,782	15,842	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY retreated by 0.4% from a 20-year high, tracking US 10Y yield. GBP gained the most by 0.5%, followed by EUR which rose by 0.2%. Other major currencies closed flat. INR is trading lower at a record-low of 77.75/\$ today amidst a renewed surge in oil prices. Other Asian currencies are trading mixed.

Fig 2 – Currencies

	13-05-2022	16-05-2022	% change
EUR/USD	1.0412	1.0434	0.2
GBP/USD	1.2262	1.2319	0.5
USD/JPY	129.22	129.16	0
USD/INR	77.43	77.45	0
USD/CNY	6.7892	6.7861	0

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. US 10Y yield fell by 4bps as investors await US retail sales data scheduled to be released later in the day. UK's 10Y yield slipped by 4bps after comments from BoE Governor. Germany's 10Y yield fell by 1bps as ECB official cautioned against the impact of a weaker currency on



inflation. India's 10Y yield rose by 7bps to 7.24% amidst inflationary concerns. It is trading further higher at 7.37% today.

Fig 3 – Bond 10Y yield

	13-05-2022	16-05-2022	change in bps
US	2.92	2.88	(4)
UK	1.74	1.73	(1)
Germany	0.95	0.94	(1)
Japan	0.25	0.25	0
China	2.82	2.82	0
India	7.24	7.32	7

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-05-2022	13-05-2022	% change
Tbill-91 days	4.9	4.9	2
Tbill-182 days	5.4	5.4	(1)
Tbill-364 days	5.9	5.8	(2)
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	13-05-2022	16-05-2022	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

	11-05-2022	12-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(385.7)	(663.8)	(278.1)
Debt	3.0	(43.9)	(46.9)
Equity	(388.7)	(619.9)	(231.2)
Mutual funds (Rs cr)	1,428.4	2,442.1	1,013.8
Debt	(1,398.7)	(659.2)	739.6
Equity	2,827.1	3,101.3	274.2

Source: Bloomberg, Bank of Baroda Research

- Global commodity prices rose further. Crude oil prices rose by 2.4% to US\$ 114.2/bbl amidst improved demand outlook on reports that China is likely to end the lockdown in Shanghai soon. Gold prices also rose as dollar slipped.

Fig 7 – Commodities

	13-05-2022	16-05-2022	% change
Brent crude (US\$/bbl)	111.6	114.2	2.4
Gold (US\$/ Troy Ounce)	1,811.8	1,824.1	0.7
Copper (US\$/ MT)	9,184.6	9,255.5	0.8
Zinc (US\$/MT)	3,493.3	3,564.5	2.0
Aluminium (US\$/MT)	2,788.0	2,832.0	1.6

Source: Bloomberg, Bank of Baroda Research



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