

## MORNING MOCHA

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ECONOMIST  
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Macro prints in the US remained mixed with retail sales gaining ground and industrial production remaining muted in Jun'22. Market was still in the fix tracking growth-inflation dynamics. CPI print in New Zealand rose to its 32-year high in Q2CY22. Even in Europe, fear of recession aggravated (Bloomberg survey data). The upcoming policy of ECB will give fresh cues on the same. Notably, comments from Fed officials' made market participants expect for 75bps rate hike in the Jul policy. China's central bank Governor also spoke of implementation of prudent monetary policy. On the domestic front, INR trajectory will be the main market mover.

- Except Hang Seng and Shanghai Comp (lower), other global indices ended higher. US stocks rose the most led by better than expected retail sales and University of Michigan consumer confidence index data. On the other hand, Shanghai Comp slumped by 1.6% as China's GDP rose less than expected in Q2CY22. Sensex rose by 0.6%, led by gains in auto and consumer durables stocks. It is trading further higher today, in line with its Asian peers.

**Fig 1 – Stock markets**

	14-07-2022	15-07-2022	% change
Dow Jones	30,630	31,288	2.1
S & P 500	3,790	3,863	1.9
FTSE	7,040	7,159	1.7
Nikkei	26,643	26,788	0.5
Hang Seng	20,751	20,298	(2.2)
Shanghai Comp	3,282	3,228	(1.6)
Sensex	53,416	53,761	0.6
Nifty	15,939	16,049	0.7

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY (flat), global currencies rose against the dollar. DXY fell by 0.4% as US manufacturing production declined for the 2nd straight month. EUR gained the most by 0.6% amidst expectations of a rate hike by ECB. GBP and JPY gained 0.3% each. INR closed flat at a record low of 79.88/US\$. However it is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	14-07-2022	15-07-2022	% change
EUR/USD	1.0018	1.0080	0.6
GBP/USD	1.1824	1.1855	0.3
USD/JPY	138.96	138.57	0.3
USD/INR	79.88	79.88	0
USD/CNY	6.7561	6.7572	0

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. US and Germany's 10Y yield fell by 4bps each. Market is now pricing for 75bps rate hike as visible in the CME Fed watch tool



data and also from the recent comments of two Fed officials. Bloomberg survey also pointed out that the risk to recession in Europe has increased. Japan and China's 10Y yield closed stable ahead of their respective policy decision scheduled this week. India's 10Y yield rose by 5bps (7.44%) as oil prices inched up and also due to devolution in the latest auction. However, it is trading lower at 7.42% today.

**Fig 3 – Bond 10Y yield**

	14-07-2022	15-07-2022	change in bps
US	2.96	2.92	(4)
UK	2.10	2.09	(1)
Germany	1.18	1.13	(4)
Japan	0.24	0.24	0
China	2.79	2.79	0
India	7.38	7.44	5

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	14-07-2022	15-07-2022	change in bps
Tbill-91 days	5.2	5.2	5
Tbill-182 days	5.7	5.7	1
Tbill-364 days	6.2	6.2	1
G-Sec 2Y	6.4	6.4	(1)
SONIA int rate benchmark	1.2	1.2	0
US SOFR	1.5	1.5	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	14-07-2022	15-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.5)	(1.8)	0.7
Reverse repo	2.6	0.3	(1.3)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	15-07-2022	16-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(410.7)	(65.9)	344.8
Debt	(69.2)	(111.4)	(42.2)
Equity	(341.5)	45.5	387.0
Mutual funds (Rs cr)	(1,437.2)	(2,733.8)	(1,296.7)
Debt	(943.4)	(1,011.9)	(68.5)
Equity	(493.7)	(1,721.9)	(1,228.2)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 1<sup>st</sup> and 2<sup>nd</sup> Jul 2022

- Crude prices rose by 2.1% to US\$ 101/bbl amidst concerns of a tighter supply surrounding reports of no immediate output boost from Saudi Arabia.

**Fig 7 – Commodities**

	14-07-2022	15-07-2022	% change
Brent crude (US\$/bbl)	99.1	101.2	2.1
Gold (US\$/ Troy Ounce)	1,709.9	1,708.2	(0.1)
Copper (US\$/ MT)	7,160.0	7,178.3	0.3
Zinc (US\$/MT)	2,951.5	2,978.8	0.9
Aluminium (US\$/MT)	2,336.5	2,343.0	0.3

Source: Bloomberg, Bank of Baroda Research



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