

MORNING MOCHA

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ECONOMIST
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Euro Area GDP rose by 0.7% in Q2CY22 (QoQ) beating expectations of a 0.2% increase. US PCE price index, Fed's preferred measure of inflation, rose to 6.8% in Jun'22 from 6.3% even as University of Michigan's survey showed that consumers' inflation expectations eased in Jul'22. Latest PMI readings from China suggested a moderation in activity due to recent Covid-19 outbreaks. While manufacturing PMI fell to 49 in Jul'22 (from 50.2), services PMI too edged down to 53.8 from 54.7 in Jun'22. In the current week, apart from manufacturing PMI of major economies, rate decisions of RBI, RBA and BoE will remain in focus.

- Global indices ended largely higher. Better than expected GDP data from the Euro Area lifted investor sentiments. US stocks surged higher tracking strong earnings report and positive forward guidance from major tech companies. Sensex too surged to a 3-month high supported by gains in metals and oil&gas stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	28-07-2022	29-07-2022	% change
Dow Jones	32,530	32,845	1.0
S & P 500	4,072	4,130	1.4
FTSE	7,345	7,423	1.1
Nikkei	27,815	27,802	0
Hang Seng	20,623	20,157	(2.3)
Shanghai Comp	3,283	3,253	(0.9)
Sensex	56,858	57,570	1.3
Nifty	16,930	17,158	1.4

Source: Bloomberg, Bank of Baroda Research

- Except GBP (lower) and CNY (flat), other global currencies closed higher against the dollar. DXY fell by 0.4% as University of Michigan survey showed that consumers' inflation expectations moderated in Jul'22. EUR gained 0.2% as Euro Area's GDP expanded more than expected in Q2CY22. INR appreciated by 0.6%-its largest single day gain since Oct'21, as FPI outflows reversed. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	28-07-2022	29-07-2022	% change
EUR/USD	1.0197	1.0220	0.2
GBP/USD	1.2180	1.2171	(0.1)
USD/JPY	134.27	133.27	0.8
USD/INR	79.76	79.27	0.6
USD/CNY	6.7473	6.7445	0

Source: Bloomberg, Bank of Baroda Research

- Except UK and China (flat), global yields closed lower. Elevated growth concerns increased appetite for sovereign securities. Further, stagnated growth



in Q2CY22 of Germany, muted retail sales in Japan in Jun'22 and soaring PCE index in the US (fastest since CY05) added to further woes. Even China's top policy makers hinted at missing the government's 5.5% growth target in CY22. India's 10Y yield fell a tad by 1bps (7.32%), taking global cues. It is trading lower at 7.3% today.

Fig 3 – Bond 10Y yield

	28-07-2022	29-07-2022	change in bps
US	2.68	2.65	(3)
UK	1.87	1.86	0
Germany	0.83	0.82	(1)
Japan	0.21	0.19	(2)
China	2.77	2.77	0
India	7.33	7.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	28-07-2022	29-07-2022	change in bps
Tbill-91 days	5.60	5.56	(4)
Tbill-182 days	5.93	5.89	(4)
Tbill-364 days	6.28	6.25	(3)
G-Sec 2Y	6.47	6.41	(6)
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.53	2.28	75

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	28-07-2022	29-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(0.6)	0.2
Reverse repo	2.6	0.3	(1.3)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-07-2022	28-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(79.2)	716.3	795.4
Debt	(67.4)	(92.7)	(25.3)
Equity	(11.8)	809.0	820.8
Mutual funds (Rs cr)	122.3	(152.0)	(274.2)
Debt	(1,036.6)	(1,134.4)	(97.8)
Equity	1,158.8	982.4	(176.4)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 26th and 27th Jul 2022

- Crude prices rose by 2.7% to US\$ 110/bbl amidst speculation that OPEC+ might not boost supply in its upcoming meeting. Gold prices rose by 0.6%, as DXY weakened.

Fig 7 – Commodities

	28-07-2022	29-07-2022	% change
Brent crude (US\$/bbl)	107.1	110.0	2.7
Gold (US\$/ Troy Ounce)	1,755.8	1,765.9	0.6
Copper (US\$/ MT)	7,765.8	7,931.3	2.1
Zinc (US\$/MT)	3,265.0	3,412.3	4.5
Aluminium (US\$/MT)	2,456.0	2,488.5	1.3

Source: Bloomberg, Bank of Baroda Research



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