

MORNING MOCHA

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ECONOMIST
 Dipanwita Mazumdar

US macro prints showed another round of weakness with existing home sales print dropping to its 2-year low in May'22. Elsewhere in China, Finance Minister spoke of further stimulus to boost the economy from the reeling crisis. Market is eyeing Fed Chair's testimony for cues on inflation and rates. ECB's Chief Economist stated that a 50bps rate hike might also be possible in Jul'22. JPY dropped to its lowest since Sep'98 on account of widening yield gap with the US and ultra-loose monetary policy. On the domestic front, yields rose by 5bps as crude prices inched up.

- Except Shanghai Comp (lower), other global stocks ended higher led by improvement in global risk appetite. US stocks staged an impressive rebound with both Dow Jones and S&P 500 rising by above 2%. Hang Seng and Nikkei also rose by 1.9% and 1.8% respectively. Sensex rose by 1.8% led by gains in oil&gas, consumer durables and capital goods stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	20-06-2022	21-06-2022	% change
Dow Jones	29,889	30,530	2.1
S & P 500	3,675	3,765	2.4
FTSE	7,122	7,152	0.4
Nikkei	25,771	26,246	1.8
Hang Seng	21,164	21,560	1.9
Shanghai Comp	3,315	3,307	(0.3)
Sensex	51,598	52,532	1.8
Nifty	15,350	15,639	1.9

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by 0.2% as US existing homes sales declined to a 2-year low in May'22. JPY fell by 1.1% to its lowest since Sep'98, amidst widening policy divergence between BoJ and other central banks. On the other hand, EUR gained by 0.2% amidst hawkish comments from ECB's Chief Economist. INR depreciated by 0.1% as oil prices rose. It is trading at a fresh historic low of 78.18/\$ today. Other Asian currencies are also trading lower.

Fig 2 – Currencies

	20-06-2022	21-06-2022	% change
EUR/USD	1.0511	1.0533	0.2
GBP/USD	1.2253	1.2277	0.2
USD/JPY	135.07	136.57	(1.1)
USD/INR	77.98	78.08	(0.1)
USD/CNY	6.6925	6.6895	0

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China (stable), global yields closed higher. US and UK'S 10Y yield rose by 5bps each. Investors are eyeing Fed's testimony for cues on future



trajectory of policy rate and inflation. Even Fed Bank of Richmond President hinted at a faster pace of rate hike. Market is also eyeing UK's CPI print scheduled to be released today. India's 10Y yield also rose by 5bps (7.48%), tracking rise in crude oil prices. It is trading lower at 7.41% today.

Fig 3 – Bond 10Y yield

	20-06-2022	21-06-2022	change in bps
US	3.23	3.27	5
UK	2.60	2.65	5
Germany	1.75	1.77	2
Japan	0.24	0.24	0
China	2.83	2.83	0
India	7.43	7.48	5

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-06-2022	21-06-2022	% change
Tbill-91 days	5.0	5.0	(1)
Tbill-192 days	5.7	5.5	(15)
Tbill-364 days	6.2	6.2	1
G-Sec 2Y	6.5	6.6	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	20-06-2022	21-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.1)	(2.1)	0
Reverse repo	2.0	2.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-06-2022	20-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(974.8)	(11.2)	963.6
Debt	171.7	(55.0)	(226.7)
Equity	(1,146.5)	43.8	1,190.3
Mutual funds (Rs cr)	1,700.1	(475.9)	(2,175.9)
Debt	576.2	(1,000.0)	(1,576.2)
Equity	1,123.9	524.1	(599.8)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 15 and 16th Jun 2022

- Crude prices rose by 0.5% to US\$ 115/bbl on account of drop in US crude and gasoline inventory last week. Gold prices on the other hand, fell by 0.3%.

Fig 7 – Commodities

	20-06-2022	21-06-2022	% change
Brent crude (US\$/bbl)	114.1	114.7	0.5
Gold (US\$/ Troy Ounce)	1,838.7	1,833.0	(0.3)
Copper (US\$/ MT)	8,989.5	8,995.5	0.1
Zinc (US\$/MT)	3,593.8	3,703.0	3.0
Aluminium (US\$/MT)	2,527.0	2,533.5	0.3

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com