

MORNING MOCHA

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ECONOMIST
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Global equity and currency indices continued to slide amidst energy woes in Europe. Further, expectation of hawkish signals from upcoming ECB minutes and Fed Chair's speech at the Jackson Hole symposium, have also indicated tighter financial conditions. Even Bundesbank President signalled more rate hikes from ECB may be forthcoming. On the other hand, inflationary concerns have kept bond yields elevated. China's support towards property sector continued with the government planning a special developer loans worth US\$ 29.3bn. Notably, both flash PMI print of Australia and Japan signalled slowdown in economic activity.

- Except Shanghai Comp (higher), other global indices closed lower. Stocks in the US fell the most, amidst expectations of further rate hikes by Fed. Technology and consumer durable stocks fell the most. Sensex too declined by 1.5% weighed down by weak global sentiments. All sectoral indices ended in red, with metal and real estate stocks declining the most. It is trading further lower today in line with other Asian stocks.

Fig 1 – Stock markets

	21-08-2022	22-08-2022	% change
Dow Jones	33,707	33,064	(1.9)
S & P 500	4,228	4,138	(2.1)
FTSE	7,550	7,534	(0.2)
Nikkei	28,930	28,795	(0.5)
Hang Seng	19,773	19,657	(0.6)
Shanghai Comp	3,258	3,278	0.6
Sensex	59,646	58,774	(1.5)
Nifty	17,758	17,491	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower. DXY rose by 0.8% to its highest since Jun'02 as investors expect hawkish comments from Fed Chair at the upcoming Jackson Hole symposium. EUR slid by 0.9% to close below the dollar parity level led by growth concerns and a worsening energy crisis. CNY too depreciated by 0.4% to a 2-year low as PBOC cut key rates to support the economy. INR depreciated by 0.1%. It is trading stronger today in line with other Asian currencies.

Fig 2 – Currencies

	21-08-2022	22-08-2022	% change
EUR/USD	1.0037	0.9943	(0.9)
GBP/USD	1.1829	1.1767	(0.5)
USD/JPY	136.97	137.48	(0.4)
USD/INR	79.78	79.87	(0.1)
USD/CNY	6.8176	6.8483	(0.4)

Source: Bloomberg, Bank of Baroda Research



- Except China and India (stable), global yields closed higher. UK's 10Y yield rose the most by 10bps. Notably, its 2Y security rose to its highest since CY08 amidst expectations of higher inflation print in the coming months. Germany and US' 10Y yield rose by 8bps and 4bps respectively. India's 10Y yield is trading 3bps higher today at 7.3%, as MPC minutes highlighted that more rate hikes may be frontloaded in the coming months.

Fig 3 – Bond 10Y yield

	21-08-2022	22-08-2022	change in bps
US	2.97	3.01	4
UK	2.41	2.51	10
Germany	1.23	1.31	8
Japan	0.20	0.22	2
China	2.63	2.64	0
India	7.26	7.27	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-08-2022	22-08-2022	change in bps
Tbill-91 days	5.57	5.52	(5)
Tbill-182 days	5.84	5.91	7
Tbill-364 days	6.17	6.16	(1)
G-Sec 2Y	6.35	6.36	1
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.28	2.28	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-08-2022	22-08-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.6)	(0.5)	0.1
Reverse repo	0.7	0.7	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-08-2022	18-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	445.1	192.8	(252.4)
Debt	11.2	0.7	(10.5)
Equity	434.0	192.1	(241.9)
Mutual funds (Rs cr)	1,407.1	(1,641.0)	(3,048.1)
Debt	1,571.0	(2,206.9)	(3,777.9)
Equity	(163.9)	565.9	729.8

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 17th and 18th Aug 2022

- Crude oil prices moderated by 0.2% to US\$ 97/bbl as concerns of global growth slowdown outweighed fears of a tighter supply by OPEC+.

Fig 7 – Commodities

	21-08-2022	22-08-2022	% change
Brent crude (US\$/bbl)	96.7	96.5	(0.2)
Gold (US\$/ Troy Ounce)	1,747.1	1,736.3	(0.6)
Copper (US\$/ MT)	8,100.9	8,076.1	(0.3)
Zinc (US\$/MT)	3,548.0	3,559.8	0.3
Aluminium (US\$/MT)	2,386.0	2,390.5	0.2

Source: Bloomberg, Bank of Baroda Research



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