

## **MORNING MOCHA**

Inflation concerns yet again aggravated with Germany's PPI soaring to yet another record high of 33.5% in Apr'22, on YoY basis. ECB official signalled that first rate hike may be forthcoming in Jul'22. On domestic front, government has reduced excise duty on petrol and diesel by Rs 8/lt and Rs 6/lt respectively and said that it will cost the exchequer Rs 1tn. Apart this this, it has also increased fertiliser subsidy by Rs 1.1tn (now at a record high of Rs 2.15tn in FY23, taking the previous budgetary allocation of Rs 1.05tn). Further import duty on coal has been reduced to 0% from existing 2.5%.

Except US stocks (flat), global equity indices ended higher. Hang Seng rose the most by 3%, led by technology stocks. Even Shanghai Comp rose by 1.6%, on account of easing Covid-19 restrictions. Investors are also monitoring signals from global central banks on rates. Sensex rose by 2.9%, led by gains in real estate, metal and capital goods stocks. It is trading lower today, while other Asian stocks are trading mixed.

Fig 1 - Stock markets

<b>3</b>			
	19-05-2022	20-05-2022	% change
Dow Jones	31,253	31,262	0
S & P 500	3,901	3,901	0
FTSE	7,303	7,390	1.2
Nikkei	26,403	26,739	1.3
Hang Seng	20,121	20,717	3.0
Shanghai Comp	3,097	3,147	1.6
Sensex	52,792	54,326	2.9
Nifty	15,809	16,266	2.9

Source: Bloomberg, Bank of Baroda Research

Global currencies closed mixed. DXY rose by 0.4% even as US 10Y yield continued to edge lower. EUR fell by 0.2% as Germany's PPI inflation surged to a new record-high in Apr'22. GBP gained by 0.1% supported by better than expected retail sales growth in UK. CNY too rose by 0.3% amidst reports of easing lockdown restrictions in Shanghai. After depreciating to a fresh record low, INR appreciated by 0.2%. However, it is trading lower today, while other Asian currencies are trading mixed.

Fig 2 - Currencies

	19-05-2022	20-05-2022	% change
EUR/USD	1.0588	1.0564	(0.2)
GBP/USD	1.2467	1.2480	0.1
USD/JPY	127.79	127.88	(0.1)
USD/INR	77.73	77.55	0.2
USD/CNY	6.7125	6.6930	0.3

Source: Bloomberg, Bank of Baroda Research

23 May 2022

ECONOMIST **Dipanwita Mazumdar** 





• Global yields closed mixed. Inflationary concerns remained elevated with G7 finance ministers flagging risks emanating from supply chain bottlenecks due to Russia-Ukraine war. Growth concerns led US 10Y yield fell by 6bps. India's 10Y yield rose by 4bps (7.36%) as minutes of RBI's off cycle meeting highlighted faster pace of rate hikes in FY23. It is trading at 7.37% today.

Fig 3 - Bond 10Y yield

	19-05-2022	20-05-2022	change in bps
US	2.84	2.78	(6)
UK	1.87	1.89	3
Germany	0.95	0.94	(1)
Japan	0.24	0.24	0
China	2.81	2.82	1
India	7.32	7.36	4

Source: Bloomberg, Bank of Baroda Research

Fig 4 - Short term rates

	19-05-2022	20-05-2022	% change
Tbill-91 days	4.9	4.9	1
Tbill-182 days	5.4	5.4	1
Tbill-364 days	5.9	5.9	2
G-Sec 2Y	6.3	6.4	3
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.8	0.8	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 - Liquidity

Rs tn	19-05-2022	20-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(4.8)	(3.2)	1.6
Reverse repo	3.7	0.3	(3.4)
Repo	0	0	0

Fig 6 - Capital market flows

Source: RBI, Bank of Baroda Research

	18-05-2022	19-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(108.0)	(473.0)	(365.0)
Debt	8.1	21.6	13.5
Equity	(116.1)	(494.6)	(378.5)
Mutual funds (Rs cr)	1,168.2	1,396.1	227.9
Debt	2.1	8.5	6.4
Equity	1,166.1	1,387.6	221.5

Source: Bloomberg, Bank of Baroda Research; Note-mutual fund data pertains to 16 and 17 May 2022

 Crude oil prices rose by 0.5% to US\$ 113/bbl. While supply conditions remain tight, easing of lockdown restrictions in China is expected to spur demand for oil. Gold prices too rose by 0.3%.

Fig 7 - Commodities

	19-05-2022	20-05-2022	% change
Brent crude (US\$/bbl)	112.0	112.6	0.5
Gold (US\$/ Troy Ounce)	1,841.9	1,846.5	0.3
Copper (US\$/ MT)	9,460.5	9,451.0	(0.1)
Zinc (US\$/MT)	3,732.6	3,726.0	(0.2)
Aluminium (US\$/MT)	2,906.5	2,946.0	1.4

Source: Bloomberg, Bank of Baroda Research



## MORNING MOCHA



## **Disclaimer**

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at











For further details about this publication, please contact:

## **Chief Economist**

Bank of Baroda chief.economist@bankofbaroda.com