

## MORNING MOCHA

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Flash PMI readings reflected muted economic activity in the US (composite reading 27-month low) and Eurozone (18-month low). As a result, global equity indices ended lower. Further, US new home sales data plummeted to its 6.5 years low, amidst reeling inflationary pressure. On MoM basis, it declined by 12.6% against expectation of 2.5% drop and compared to 7.1% decline in Jun'22. Another Fed official (Minneapolis Fed President) spoke of more rate hikes to control inflation. He also said that if supply side bottlenecks can be mitigated, a hard landing can be avoided for the economy. On the domestic front, RBI Governor in a recent interview said that inflation has moderated from its peak and softening of commodity prices might further lend support.

- Barring India, stock indices in other major economies ended in red. Weak PMI readings globally, ongoing property crisis in China and soaring energy prices in Europe, raised fresh fears of a global recession. Nikkei dropped the most by 1.2%, followed by Hang Seng which fell by 0.8%. On the other hand, Sensex rose by 0.4% supported by gains in metal and auto stocks. However, it is trading lower today in line with other Asian stocks.

**Fig 1 – Stock markets**

	22-08-2022	23-08-2022	% change
Dow Jones	33,064	32,910	(0.5)
S & P 500	4,138	4,129	(0.2)
FTSE	7,534	7,488	(0.6)
Nikkei	28,795	28,453	(1.2)
Hang Seng	19,657	19,503	(0.8)
Shanghai Comp	3,278	3,276	0
Sensex	58,774	59,031	0.4
Nifty	17,491	17,578	0.5

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies ended higher. After rising for 4-straight sessions, DXY fell by 0.4% amidst weaker than expected US data (services PMI and new home sales). GBP rose the most by 0.6%, followed by JPY which gained 0.5%. INR ended flat even as oil prices increased. It is trading marginally weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	22-08-2022	23-08-2022	% change
EUR/USD	0.9943	0.9970	0.3
GBP/USD	1.1767	1.1836	0.6
USD/JPY	137.48	136.77	0.5
USD/INR	79.87	79.86	0
USD/CNY	6.8483	6.8350	0.2

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (stable), global yields closed higher. UK's 10Y yield rose the most by 6bps as its flash composite PMI reading was above the 50-mark. US 10Y yield rose by 3bps awaiting comments from Fed Chair. India's 10Y yield rose a tad by 1bps to 7.28%. It is trading at 7.3% today.

**Fig 3 – Bond 10Y yield**

	22-08-2022	23-08-2022	change in bps
US	3.01	3.05	3
UK	2.51	2.58	6
Germany	1.31	1.32	1
Japan	0.22	0.22	0
China	2.64	2.63	0
India	7.27	7.28	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	22-08-2022	23-08-2022	change in bps
Tbill-91 days	5.52	5.55	3
Tbill-182 days	5.91	5.80	(11)
Tbill-364 days	6.16	6.18	2
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	22-08-2022	23-08-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.7)	(0.2)
Reverse repo	0.7	0.7	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	19-08-2022	22-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	192.8	(33.6)	(226.3)
Debt	0.7	9.8	9.2
Equity	192.1	(43.4)	(235.5)
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 17<sup>th</sup> and 18<sup>th</sup> Aug 2022

- Crude oil prices rose by 3.9% to US\$ 100/bbl amidst falling US crude stockpiles and also expectation of output cut from OPEC+.

**Fig 7 – Commodities**

	22-08-2022	23-08-2022	% change
Brent crude (US\$/bbl)	96.5	100.2	3.9
Gold (US\$/ Troy Ounce)	1,736.3	1,748.2	0.7
Copper (US\$/ MT)	8,076.1	8,170.8	1.2
Zinc (US\$/MT)	3,559.8	3,548.5	(0.3)
Aluminium (US\$/MT)	2,390.5	2,424.0	1.4

Source: Bloomberg, Bank of Baroda Research



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