

MORNING MOCHA

25 May 2022

ECONOMIST
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PMI print worldwide aggravated concerns of muted growth. In the UK, the flash composite PMI print fell to its 15-month low in May'22. In the US, it was at its 4-month low. Even the new home sales data (US) in Apr'22 fell more than expected. The Richmond Fed's measure of business activity also dropped to its two-year low in May'22. As a result, equity and bond indices closed lower. Elsewhere, ECB President said policy rate might be in positive territory by Q3CY22. India's 10Y yield got comfort from government measures aimed at easing supply side bottlenecks.

- Except Dow Jones (higher), other global indices ended lower. Weak PMI readings in US, UK and Eurozone raised concerns over global growth outlook. Further, new Covid-19 curbs in Beijing also dented investor sentiments. Shanghai Comp fell the most by 2.4%, followed by Hang Seng which declined by 1.7%. Sensex fell by 0.4% led by losses in technology, power and metal stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	23-05-2022	24-05-2022	% change
Dow Jones	31,880	31,929	0.2
S & P 500	3,974	3,941	(0.8)
FTSE	7,513	7,484	(0.4)
Nikkei	27,002	26,748	(0.9)
Hang Seng	20,470	20,112	(1.7)
Shanghai Comp	3,147	3,071	(2.4)
Sensex	54,289	54,053	(0.4)
Nifty	16,215	16,125	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except EUR and JPY (flat), other global currencies ended lower. DXY fell by 0.2% amidst weak macro data (manufacturing and services PMI and new home sales). GBP also fell by 0.4% as UK's manufacturing and services PMI dipped to its 16 and 15-month low respectively. EUR rose by 0.4% amidst hawkish comments from ECB President. INR depreciated by 0.1%. However, it is trading higher today, while other Asian currencies are trading lower.

Fig 2 – Currencies

	23-05-2022	24-05-2022	% change
EUR/USD	1.0691	1.0736	0.4
GBP/USD	1.2588	1.2532	(0.4)
USD/JPY	127.90	126.83	0.8
USD/INR	77.52	77.59	(0.1)
USD/CNY	6.6497	6.6537	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China (stable), global yields closed lower. US 10Y yield fell the most by 10bps as macro prints remained weaker (flash PMI data and new



home sales). Even Fed Bank of Atlanta President urged to proceed with cautiousness regarding rate hike. India's 10Y yield fell by 3bps (7.36%) amidst expectation that government measures would ease inflation slightly. It is trading further lower at 7.33% today.

Fig 3 – Bond 10Y yield

	23-05-2022	24-05-2022	change in bps
US	2.85	2.75	(10)
UK	1.97	1.89	(8)
Germany	1.02	0.97	(5)
Japan	0.24	0.24	0
China	2.80	2.80	0
India	7.39	7.36	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-05-2022	23-05-2022	% change
Tbill-91 days	4.9	4.9	0
Tbill-182 days	5.4	5.4	1
Tbill-364 days	5.8	5.9	8
G-Sec 2Y	6.3	6.3	(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	23-05-2022	24-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.4)	(3.3)	0.1
Reverse repo	3.1	3.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-05-2022	20-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	198.8	(189.5)	(388.2)
Debt	11.1	(23.9)	(35.0)
Equity	187.6	(165.6)	(353.2)
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

- International oil prices rose by 0.1% to US\$ 113.6/bbl, as Germany's economy minister hinted that EU is likely to reach a deal on banning Russian oil imports "within days". Gold prices edged up as dollar weakened.

Fig 7 – Commodities

	23-05-2022	24-05-2022	% change
Brent crude (US\$/bbl)	113.4	113.6	0.1
Gold (US\$/ Troy Ounce)	1,853.6	1,866.5	0.7
Copper (US\$/ MT)	9,588.5	9,459.0	(1.4)
Zinc (US\$/MT)	3,800.5	3,798.8	(0.0)
Aluminium (US\$/MT)	2,956.0	2,901.5	(1.8)

Source: Bloomberg, Bank of Baroda Research



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