

## MORNING MOCHA

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ECONOMIST  
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Fed minutes highlighted that 50bps increase in policy rate might be appropriate in the next few meetings. It highlighted that policy may have to move past a “neutral” stance. Elsewhere, indicators of growth remained weak. In Germany GfK consumer sentiment index remained benign. In the US, durable goods orders as well as capital goods orders non-defence excl. air (measure of business fixed investment) fell more than expected. Even Premier LI Keqiang said China’s economy is in some respect faring worse than CY20.

- Except Japan and India, other global stocks ended higher. US stocks rose as Fed minutes showed that members remained optimistic on growth. S&P 500 and Dow Jones rose by 0.9% and 0.6% respectively. FTSE too rose by 0.5% led by gains in mining and oil and gas stocks. Sensex fell by 0.6% weighed down by losses in real estate, technology and capital goods stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	24-05-2022	25-05-2022	% change
Dow Jones	31,929	32,120	0.6
S & P 500	3,941	3,979	0.9
FTSE	7,484	7,523	0.5
Nikkei	26,748	26,678	(0.3)
Hang Seng	20,112	20,171	0.3
Shanghai Comp	3,071	3,107	1.2
Sensex	54,053	53,749	(0.6)
Nifty	16,125	16,026	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except GBP and INR (higher), other global currencies ended lower. DXY rose by 0.2% as Fed minutes confirmed two successive rate hikes of 50bps each in Fed’s Jun and Jul’22 meeting. EUR fell by 0.5%. CNY depreciated by 0.6% as China tightened Covid-19 curbs in Beijing. INR is trading slightly higher today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	24-05-2022	25-05-2022	% change
EUR/USD	1.0736	1.0681	(0.5)
GBP/USD	1.2532	1.2574	0.3
USD/JPY	126.83	127.32	(0.4)
USD/INR	77.59	77.53	0.1
USD/CNY	6.6537	6.6932	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except UK (higher), global yields closed lower. US 10Y yield fell a tad by 1bps as durable goods orders moderated by 0.4% in Apr’22 (est.: 0.6%). However, Fed minutes highlighted faster pace of rate hike in CY22. Germany’s 10Y yield



also fell by 2bps as ECB board member warned of a cautious approach regarding pace of rate hike. India's 10Y yield fell by 6bps (7.3%) supported by government measures to curb inflation. It is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	24-05-2022	25-05-2022	change in bps
US	2.75	2.75	(1)
UK	1.89	1.91	2
Germany	0.97	0.95	(2)
Japan	0.24	0.21	(2)
China	2.80	2.77	(3)
India	7.36	7.30	(6)

Source: Bloomberg, Bank of Baroda Research

- Tbill auction results of Rs 330bn showed yield at cut off fell marginally (91-days:-3bps, 364-days:-1bps and 182-days: flat).

**Fig 4 – Short term rates**

	24-05-2022	25-05-2022	% change
Tbill-91 days	4.9	4.9	1
Tbill-182 days	5.4	5.4	1
Tbill-364 days	5.9	5.9	0
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	24-05-2022	25-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.3)	(3.2)	0.1
Reverse repo	3.1	3.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	23-05-2022	24-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(189.5)	(259.3)	(69.8)
Debt	(23.9)	(2.9)	21.0
Equity	(165.6)	(256.3)	(90.8)
Mutual funds (Rs cr)	1,062.0	(761.4)	(1,823.4)
Debt	300.3	(806.4)	(1,106.8)
Equity	761.6	45.0	(716.6)

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 0.4% to US\$ 114/bbl, led by EU's impending ban on Russian oil imports and higher seasonal demand in the US.

**Fig 7 – Commodities**

	24-05-2022	25-05-2022	% change
Brent crude (US\$/bbl)	113.6	114.0	0.4
Gold (US\$/ Troy Ounce)	1,866.5	1,853.5	(0.7)
Copper (US\$/ MT)	9,459.0	9,367.0	(1.0)
Zinc (US\$/MT)	3,798.8	3,755.8	(1.1)
Aluminium (US\$/MT)	2,901.5	2,874.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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