

MORNING MOCHA

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IMF in the World Economic Outlook has downgraded global growth forecast by 40bps to 3.2% in CY22, stating the “outlook has darkened significantly since Apr’22”. This is led by stalling of growth in US, China and Euro Area in the aftermath of Russia- Ukraine war, aggressive interest rate hike by Fed to tame inflation and strict Covid-19 induced lockdowns in China. These risks are further tilted to the downside. In line with global growth, IMF has also trimmed India’s growth by 80bps to 7.4% in FY23 (previous forecast of 8.2%). It is tad higher than RBI estimate of 7.2% for FY23. The report noted the dip in India’s growth estimate is reflected by “less favourable external conditions and rapid policy tightening”.

- Global indices ended mixed. IMF slashed global growth outlook to 3.2% for CY22 from 3.6% estimated in Apr’22. US indices ended lower led by weaker data print (fall in consumer confidence, new homes sales down to 2-year low in Jun’22). Sensex (0.5%) too slipped lower led by losses in technology and capital goods stocks. It is trading further lower today in line with other Asian stocks.

Fig 1 – Stock markets

	25-07-2022	26-07-2022	% change
Dow Jones	31,990	31,762	(0.7)
S & P 500	3,967	3,921	(1.2)
FTSE	7,306	7,306	0
Nikkei	27,699	27,655	(0.2)
Hang Seng	20,563	20,906	1.7
Shanghai Comp	3,250	3,277	0.8
Sensex	55,766	55,268	(0.9)
Nifty	16,631	16,484	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower. DXY rose by 0.7% as investors await Fed’s rate hike decision, amidst slowing economic growth. EUR (1%), JPY and CNY (0.2% each) fell the most. Possibility of sharp economic slowdown in Europe as EU countries begin gas rationing also impacted investor sentiments. INR fell by 0.1%. It is trading further lower today, in line with other Asian currencies.

Fig 2 – Currencies

	25-07-2022	26-07-2022	% change
EUR/USD	1.0220	1.0117	(1.0)
GBP/USD	1.2043	1.2028	(0.1)
USD/JPY	136.69	136.91	(0.2)
USD/INR	79.74	79.78	(0.1)
USD/CNY	6.7509	6.7638	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring US and Japan (higher), other global yields closed lower. 10Y yields in Germany (9bps) and UK (2bps) fell the most. Investors’ sentiments were hit as



EU countries approved energy plan to curb gas usage in the wake of Russia reducing gas supply to Europe. US10Y yield rose by 1bps, awaiting Fed's decision. India's 10Y yield fell by 2bps to 7.37%, with easing inflationary concerns owing to dip in international commodity prices.

Fig 3 – Bond 10Y yield

	25-07-2022	26-07-2022	change in bps
US	2.80	2.81	1
UK	1.94	1.92	(2)
Germany	1.02	0.93	(9)
Japan	0.20	0.21	2
China	2.78	2.77	(1)
India	7.39	7.37	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	25-07-2022	26-07-2022	change in bps
Tbill-91 days	5.40	5.39	(1)
Tbill-182 days	5.79	5.74	(5)
Tbill-364 days	6.21	6.22	1
G-Sec 2Y	6.45	6.40	(5)
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.53	1.52	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	25-07-2022	26-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.5)	0.2
Reverse repo	2.1	2.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-07-2022	22-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	296.5	(180.9)	(477.4)
Debt	62.1	(103.9)	(166.0)
Equity	234.4	(77.0)	(311.4)
Mutual funds (Rs cr)	(789.7)	(953.9)	(164.2)
Debt	(397.9)	(492.2)	(94.4)
Equity	(391.9)	(461.7)	(69.8)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 19th and 20th Jul 2022

- Crude prices moderated by 0.7% to US\$ 104/bbl amidst demand concerns offsetting US crude stock drawdown. Gold prices dropped marginally by 0.1% with investors bracing for Fed policy outcome.

Fig 7 – Commodities

	25-07-2022	26-07-2022	% change
Brent crude (US\$/bbl)	105.2	104.4	(0.7)
Gold (US\$/ Troy Ounce)	1,719.8	1,717.3	(0.1)
Copper (US\$/ MT)	7,463.8	7,520.3	0.8
Zinc (US\$/MT)	3,059.3	3,142.0	2.7
Aluminium (US\$/MT)	2,408.5	2,421.5	0.5

Source: Bloomberg, Bank of Baroda Research



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