

MORNING MOCHA

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ECONOMIST
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International crude price rose to its 2-month high of US\$ 117bbl, as EU is planning to ban crude imports from Russia. Elsewhere, macro print in China remained weak with industrial profit in Apr'22 plunging for the first time since CY20. Second estimate of Q1CY22 GDP of the US showed that growth fell by 1.3% QoQ, dragged down by trade deficit. In UK, finance minister announced stimulus package to tide over the current cost of living crisis. Thus, its 10Y yield rose by 6bps. On the domestic front, market will await fiscal data and auction results.

- Except Nikkei and Hang Seng, other global stocks ended higher. US stocks rose sharply supported by better than expected earnings reports and optimistic outlook by large retailers. FTSE too gained by 0.6% supported by government's stimulus measures. After falling for 3-straight sessions, Sensex closed higher by 0.9%. This was led by a recovery in metals, banking and real estate stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	25-05-2022	26-05-2022	% change
Dow Jones	32,120	32,637	1.6
S & P 500	3,979	4,058	2.0
FTSE	7,523	7,565	0.6
Nikkei	26,678	26,605	(0.3)
Hang Seng	20,171	20,116	(0.3)
Shanghai Comp	3,107	3,123	0.5
Sensex	53,749	54,253	0.9
Nifty	16,026	16,170	0.9

Source: Bloomberg, Bank of Baroda Research

- Barring CNY and INR (lower), other global currencies ended higher. DXY fell by 0.2% as US GDP growth contracted more than expected in Q1CY22. GBP gained by 0.2% as UK announced a slew of fiscal stimulus measures to support economic activity. On the other hand, CNY depreciated sharply by 0.7% on rising concerns over growth. INR depreciated by 0.1% as oil prices surged. It is trading further lower today, while other Asian currencies are trading higher.

Fig 2 – Currencies

	25-05-2022	26-05-2022	% change
EUR/USD	1.0681	1.0725	0.4
GBP/USD	1.2574	1.2600	0.2
USD/JPY	127.32	127.12	0.2
USD/INR	77.53	77.58	(0.1)
USD/CNY	6.6932	6.7389	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. US 10Y yield closed stable tracking second estimate of Q1CY22 GDP data and jobless claims print. UK's 10Y yield rose the



most by 6bps on account of fiscal stimulus announced by the government. Germany's 10Y yield also rose by 5bps as one of the ECB official said that a 50bps rate hike cannot be ruled out in Jul'22. China's 10Y yield fell by 3bps as the economy is still facing Covid induced slowdown. India's 10Y yield fell a tad by 1bps (7.29%). It is trading at 7.32% today, eyeing the auction results.

Fig 3 – Bond 10Y yield

	25-05-2022	26-05-2022	change in bps
US	2.75	2.75	0
UK	1.91	1.97	6
Germany	0.95	1.00	5
Japan	0.21	0.24	3
China	2.77	2.74	(3)
India	7.30	7.29	(1)

Source: Bloomberg, Bank of Baroda Research

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	1
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	25-05-2022	26-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.2)	(3.1)	0.1
Reverse repo	3.1	3.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-05-2022	25-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(259.3)	(174.8)	84.5
Debt	(2.9)	33.8	36.7
Equity	(256.3)	(208.6)	47.7
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, Mutual fund data as of 23rd, 24th May 2022

- Crude prices rose sharply by 3% to a 2-month high of US\$ 117.4/bbl. EU's impending ban on Russian oil imports, start of US driving season and OPEC+ meeting (2 Jun) are weighing on oil prices.

Fig 7 – Commodities

	25-05-2022	26-05-2022	% change
Brent crude (US\$/bbl)	114.0	117.4	3.0
Gold (US\$/ Troy Ounce)	1,853.5	1,850.6	(0.2)
Copper (US\$/ MT)	9,367.0	9,345.5	(0.2)
Zinc (US\$/MT)	3,755.8	3,745.0	(0.3)
Aluminium (US\$/MT)	2,874.0	2,865.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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