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Investors continue to monitor the ongoing developments in the G-7 meet. Major stock indices gained as fears of inflation subsided with moderation in commodity prices. US 10Y yields continued to climb higher, assessing risks of rate hike. In US, data prints surprised positively with core capital goods order rising by 0.5% in May'22 (0.3% in Apr'22). Pending home sales also rebounded after falling for straight 6-months, signalling early signs of strengthening economy. DXY slipped by 0.2%. Oil prices surged further on reports of tightening supplies.

- Apart from US markets, other global indices ended higher as investors monitored easing of Covid-19 restrictions in China and dip in commodity prices. Amongst other indices, Hang Seng (2.4%) gained the most, followed by Nikkei (1.4%). US indices ended lower with major sub-indices ending in red, largest loss suffered by consumer discretionary stocks. On the other hand, Sensex closed the day in green led by gains in capital goods and IT stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	24-06-2022	27-06-2022	% change
Dow Jones	31,501	31,438	(0.2)
S & P 500	3,912	3,900	(0.3)
FTSE	7,209	7,258	0.7
Nikkei	26,492	26,871	1.4
Hang Seng	21,719	22,230	2.4
Shanghai Comp	3,350	3,379	0.9
Sensex	52,728	53,161	0.8
Nifty	15,699	15,832	0.8

Source: Bloomberg, Bank of Baroda Research

- Except EUR (higher) and JPY (lower) other global currencies ended flat against the dollar. DXY retreated by 0.2% as investors assess the probability of global recession and await cues from ECB central bank forum this week. Today, INR is trading lower, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	24-06-2022	27-06-2022	% change
EUR/USD	1.0553	1.0584	0.3
GBP/USD	1.2268	1.2265	0
USD/JPY	135.23	135.46	(0.2)
USD/INR	78.34	78.35	0
USD/CNY	6.6898	6.6918	0

Source: Bloomberg, Bank of Baroda Research

- Barring China and India (lower), other global yields closed higher. Germany (11bps), UK (9bps) and US' (7bps) 10Y yields rose the most. Investors await cues from speeches of central bankers (US, UK, ECB) at the ECB central bank



forum and inflation print for Europe, due this week. India's 10Y yield fell by 3bps to 7.41%, owing to anticipation of step up in PSU bank bond buying.

Fig 3 – Bond 10Y yield

	24-06-2022	27-06-2022	change in bps
US	3.13	3.20	7
UK	2.30	2.39	9
Germany	1.44	1.55	11
Japan	0.23	0.25	2
China	2.85	2.83	(2)
India	7.44	7.41	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	24-06-2022	27-06-2022	% change
Tbill-91 days	5.1	5.1	0
Tbill-192 days	5.7	5.7	4
Tbill-364 days	6.2	6.2	(5)
G-Sec 2Y	6.6	6.6	0
SONIA int rate benchmark	1.2	1.2	0
US SOFR	1.4	1.5	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	24-06-2022	27-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.0)	(2.2)	(0.2)
Reverse repo	2.0	2.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-06-2022	24-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(280.0)	(304.7)	(24.8)
Debt	(23.1)	(35.6)	(12.4)
Equity	(256.9)	(269.2)	(12.3)
Mutual funds (Rs cr)	1,385.1	842.9	(542.3)
Debt	879.1	374.2	(504.9)
Equity	506.1	468.7	(37.4)

Source: Bloomberg, Bank of Baroda Research

- Crude prices continued to edge upwards to US\$ 115/bbl, amidst news reports of further tightening of supplies and prospects of new sanctions being imposed on Russia in the ongoing G-7 meet.

Fig 7 – Commodities

	24-06-2022	27-06-2022	% change
Brent crude (US\$/bbl)	113.1	115.1	1.7
Gold (US\$/ Troy Ounce)	1,826.9	1,822.9	(0.2)
Copper (US\$/ MT)	8,381.0	8,419.3	0.5
Zinc (US\$/MT)	3,485.0	3,384.0	(2.9)
Aluminium (US\$/MT)	2,456.0	2,495.5	1.6

Source: Bloomberg, Bank of Baroda Research



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