

MORNING MOCHA

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ECONOMIST
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Fed Chair's commentary and subdued Q2CY22 GDP print of the US reaffirmed investors view that aggressive monetary tightening cycle will ease off going forward. Subdued data print (US GDP, jobless claims and corporate earnings) pulled global yields lower. Tracking the dip, US\$ declined and moved closer to the 6-week low mark. Oil prices continued to edge higher over supply concerns and focus shifted towards the next OPEC meeting scheduled next week.

- Barring FTSE (flat) and Hang Seng (lower), other global indices ended higher. Expected rate hike by Fed along with speculation of slower pace of future rate hike cheered investors. Amongst other indices, Sensex rallied to a 3-month high rubbing off the upbeat mood from the global market, along with slower pace of selling by FIIs in the current month. IT, real estate and banking stocks gained the most. It is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	27-07-2022	28-07-2022	% change
Dow Jones	32,198	32,530	1.0
S & P 500	4,024	4,072	1.2
FTSE	7,348	7,345	0
Nikkei	27,716	27,815	0.4
Hang Seng	20,670	20,623	(0.2)
Shanghai Comp	3,276	3,283	0.2
Sensex	55,816	56,858	1.9
Nifty	16,642	16,930	1.7

Source: Bloomberg, Bank of Baroda Research

- Except EUR (flat), other global currencies appreciated. DXY fell by 0.1% to hover near 6-week low, as risks to Fed's aggressive policy rate hike eased. JPY (1.7%) gained the most, followed by GBP, INR and CNY (0.2% each). INR rose to 79.76/\$. It is trading further higher today, in line with other Asian currencies.

Fig 2 – Currencies

	27-07-2022	28-07-2022	% change
EUR/USD	1.0200	1.0197	(0.0)
GBP/USD	1.2158	1.2180	0.2
USD/JPY	136.57	134.27	1.7
USD/INR	79.90	79.76	0.2
USD/CNY	6.7590	6.7473	0.2

Source: Bloomberg, Bank of Baroda Research

- Barring Japan, other global yields closed lower. 10Y yields in Germany (12bps), US (11bps) and UK (9bps) fell the most. Weaker than expected US GDP print (-0.9% in Q2 versus est.: +0.5%) and rising jobless claims increased fears of a global growth slowdown. Fed is also expected to be less hawkish now. India's



10Y yield fell only a tad by 1bps, as oil prices maintain pressure. However, following global cues, it is trading lower today at 7.28%.

Fig 3 – Bond 10Y yield

	27-07-2022	28-07-2022	change in bps
US	2.78	2.68	(11)
UK	1.96	1.87	(9)
Germany	0.95	0.83	(12)
Japan	0.20	0.21	0
China	2.77	2.77	()
India	7.34	7.33	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-07-2022	28-07-2022	change in bps
Tbill-91 days	5.61	5.60	(1)
Tbill-182 days	5.96	5.93	(3)
Tbill-364 days	6.31	6.28	(3)
G-Sec 2Y	6.54	6.47	(7)
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.53	1.53	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-07-2022	28-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.8)	(0.3)
Reverse repo	2.6	2.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-07-2022	27-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(137.5)	(79.2)	58.3
Debt	22.7	(67.4)	(90.1)
Equity	(160.1)	(11.8)	148.4
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 inched up by 0.5% to US\$ 107/bbl on the back of supply concerns. The next OPEC meet (Aug'22) will be crucial in terms of determining future oil output. Gold prices also inched up by 1.2% as DXY weakened.

Fig 7 – Commodities

	27-07-2022	28-07-2022	% change
Brent crude (US\$/bbl)	106.6	107.1	0.5
Gold (US\$/ Troy Ounce)	1,734.2	1,755.8	1.2
Copper (US\$/ MT)	7,627.3	7,765.8	1.8
Zinc (US\$/MT)	3,148.0	3,265.0	3.7
Aluminium (US\$/MT)	2,422.5	2,456.0	1.4

Source: Bloomberg, Bank of Baroda Research



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