

MORNING MOCHA

30 June 2022

ECONOMIST
Jahnavi

Global investors monitored the looming threat of recession as inflation continues to remain a challenge for central banks. Fed reiterated its commitment towards managing inflation even if it 'involves some pain' as it remains a much bigger risk. On the other hand, China's manufacturing (50.2 in Jn'22 from 49.6 in May'22) and services PMI (54.7 in Jun'22 from 47.8 in May'22) improved amidst easing of lockdown restrictions. However developments around property market, reoccurrence of infections and softer consumer spending remain key concerns. Crude prices declined after 3-day gain, even as concerns rose from further supply constraints due to unrest in Ecuador and Libya.

- Barring Dow Jones, other global indices ended lower led by fears of impeding global economic downturn. Hang Seng (1.9%) dropped the most followed by Shanghai Comp (1.4%). Final print of US Q1GDP was revised downward to (-) 1.6% from (-) 1.5% earlier, however domestic demand remained strong. Sensex ended lower (0.3%) led by losses in banking and technology stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	28-06-2022	29-06-2022	% change
Dow Jones	30,947	31,029	0.3
S & P 500	3,822	3,819	(0.1)
FTSE	7,323	7,312	(0.2)
Nikkei	27,049	26,805	(0.9)
Hang Seng	22,419	21,997	(1.9)
Shanghai Comp	3,409	3,362	(1.4)
Sensex	53,177	53,027	(0.3)
Nifty	15,850	15,799	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except CNY (higher), other global currencies closed lower. DXY rose by 0.6% to hover around a 20-year high as Fed Chair reiterated the central bank's hawkish stance. EUR depreciated the most by 0.7% amidst ECB President's comments on persistent inflation. INR depreciated further to a new record-low of 78.97/\$ led by continued FPI outflows and a stronger USD. However it is trading marginally higher today, while other Asian currencies are trading lower.

Fig 2 – Currencies

	28-06-2022	29-06-2022	% change
EUR/USD	1.0519	1.0442	(0.7)
GBP/USD	1.2184	1.2124	(0.5)
USD/JPY	136.14	136.59	(0.3)
USD/INR	78.77	78.97	(0.2)
USD/CNY	6.7080	6.7009	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields closed lower amidst increasing risks of a global recession. US 10Y yield dropped by 8bps as US GDP for Q1CY22 showed that the economy contracted more than initially estimated. 10Y yield in Germany also fell by 11bps as CPI softened in Jun'22. India's 10Y yield fell by 1bps to 7.46% as oil prices eased. It is trading further lower at 7.43%.

Fig 3 – Bond 10Y yield

	28-06-2022	29-06-2022	change in bps
US	3.17	3.09	(8)
UK	2.47	2.39	(8)
Germany	1.63	1.52	(11)
Japan	0.24	0.24	(1)
China	2.85	2.83	(1)
India	7.47	7.46	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-06-2022	28-06-2022	% change
Tbill-91 days	5.12	5.14	2
Tbill-192 days	5.75	5.77	2
Tbill-364 days	6.23	6.28	5
G-Sec 2Y	6.55	6.58	4
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.50	1.52	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	28-06-2022	29-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.3)	(2.5)	(0.2)
Reverse repo	2.0	2.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-06-2022	28-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(259.8)	(242.9)	16.9
Debt	(120.4)	(134.6)	(14.2)
Equity	(139.5)	(108.4)	31.1
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 fell by 1.5% to US\$ 116.3/bbl led by demand concerns amidst worsening global outlook. Gold prices fell by 0.1% as dollar continued to climb.

Fig 7 – Commodities

	28-06-2022	29-06-2022	% change
Brent crude (US\$/bbl)	118.0	116.3	(1.5)
Gold (US\$/ Troy Ounce)	1,820.0	1,817.7	(0.1)
Copper (US\$/ MT)	8,360.0	8,399.3	0.5
Zinc (US\$/MT)	3,390.0	3,392.3	0.1
Aluminium (US\$/MT)	2,491.0	2,471.0	(0.8)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com