

MORNING MOCHA

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Strong macro data from the US lifted market sentiments globally. US ISM services PMI edged up to 56.7 in Jul'22 (est. 53.5) from 55.3 in Jun'22 led by a pickup in new orders. Factory orders also rose by 2% in Jun'22 (MoM) beating expectations (+1.1%). Fed officials also reiterated their commitment to bringing inflation back on track, keeping door open for further rate hikes. On the other hand, data from Europe remained concerning as both service PMI (Jul'22) and retail sales (Jun'22) declined. In India, services PMI fell to a 4-month low of 55.5 in Jul'22 from 59.2 in Jun'22.

- Except Shanghai Comp, other global indices ended higher led by strong corporate earning reports. US stocks rose the most amidst strong macro data (US ISM services PMI and factory orders). Sensex too rose by 0.4% led by gains in technology stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	2-08-2022	3-08-2022	% change
Dow Jones	32,396	32,813	1.3
S & P 500	4,091	4,155	1.6
FTSE	7,409	7,446	0.5
Nikkei	27,595	27,742	0.5
Hang Seng	19,689	19,767	0.4
Shanghai Comp	3,186	3,164	(0.7)
Sensex	58,136	58,351	0.4
Nifty	17,345	17,388	0.2

Source: Bloomberg, Bank of Baroda Research

- Except EUR (flat), other global currencies declined. DXY rose by 0.2% led by a surprise uptick in US ISM services PMI. JPY fell by 0.5% as Japan's services PMI fell in Jul'22. INR depreciated by 0.6% led by concerns over elevated trade deficit. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	2-08-2022	3-08-2022	% change
EUR/USD	1.0166	1.0166	0
GBP/USD	1.2170	1.2149	(0.2)
USD/JPY	133.17	133.86	(0.5)
USD/INR	78.71	79.16	(0.6)
USD/CNY	6.7525	6.7580	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. A host of macro prints such as better US durable goods orders, better exports in Germany and muted services activity in UK, impacted investors' sentiments. Further, concerns over US-China relations and comments from Fed officials also kept investors on edge. US 10Y yield fell by



4bps, while Germany's 10Y yield rose by 5bps. India's 10Y yield rose by 4bps. It is trading lower at 7.22% today, ahead of RBI's policy meet.

Fig 3 – Bond 10Y yield

	2-08-2022	3-08-2022	change in bps
US	2.75	2.70	(4)
UK	1.87	1.91	4
Germany	0.82	0.87	5
Japan	0.18	0.19	1
China	2.74	2.73	(1)
India	7.20	7.24	4

Source: Bloomberg, Bank of Baroda Research

- Cut off yield fell across the board (91-days:-6bps, 182-days: -9bps and 364-days: -10bps) in the current auction of Rs 210bn. Notably, 1Y OIS swap rate also fell, as markets are anticipating cautious move from RBI.

Fig 4 – Short term rates

	2-08-2022	3-08-2022	change in bps
Tbill-91 days	5.53	5.55	2
Tbill-182 days	5.73	5.88	15
Tbill-364 days	6.16	6.21	5
G-Sec 2Y	6.35	6.35	0
SONIA int rate benchmark	1.19	1.19	0
US SOFR	2.28	2.30	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	2-08-2022	3-08-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.0)	(1.9)	0.1
Reverse repo	0.4	0.4	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	1-08-2022	2-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	724.5	193.8	(530.7)
Debt	49.1	(17.7)	(66.8)
Equity	675.4	211.5	(463.9)
Mutual funds (Rs cr)	122.3	(152.0)	(274.2)
Debt	(1,036.6)	(1,134.4)	(97.8)
Equity	1,158.8	982.4	(176.4)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 26th and 27th Jul 2022

- Crude prices fell by 3.7%, as OPEC+ agreed to increase their output quota from Sep'22. Further, build up in US oil inventories also supported prices.

Fig 7 – Commodities

	2-08-2022	3-08-2022	% change
Brent crude (US\$/bbl)	100.5	96.8	(3.7)
Gold (US\$/ Troy Ounce)	1,760.4	1,765.3	0.3
Copper (US\$/ MT)	7,808.8	7,671.8	(1.8)
Zinc (US\$/MT)	3,412.0	3,389.0	(0.7)
Aluminium (US\$/MT)	2,414.5	2,378.0	(1.5)

Source: Bloomberg, Bank of Baroda Research



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