

MORNING MOCHA

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Aditi Gupta

Risks of a global recession intensified further amidst disappointing manufacturing PMI data from major global economies. Global manufacturing PMI slipped to a 22-month low of 52.2 in Jun'22 from 52.3 in May'22 led by UK (24-month low), Eurozone (22-month low) and US ISM (24-month low). Pace of expansion also softened in Japan and India. However, China's Caixin manufacturing PMI showed significant improvement to 51.7 in Jun'22 from 48.1 in May'22. US jobs data, scheduled later in the week will provide fresh cues to the markets.

- Barring UK (flat) and US, stock indices elsewhere ended the week lower. This was led by uncertainty due to gloomier global market sentiment amidst a surge in global inflation, ongoing Russia-Ukraine conflict and synchronized monetary tightening, Nikkei (1.7%) fell the most. Sensex (0.2%) too ended lower and was dragged down by oil and gas and power stocks. It is trading further lower today while other Asian markets are trading mixed today.

Fig 1 – Stock markets

	30-06-2022	1-07-2022	% change
Dow Jones	30,775	31,097	1.0
S & P 500	3,785	3,825	1.1
FTSE	7,169	7,169	0
Nikkei	26,393	25,936	(1.7)
Hang Seng	21,997	21,860	(0.6)
Shanghai Comp	3,399	3,388	(0.3)
Sensex	53,019	52,908	(0.2)
Nifty	15,780	15,752	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except JPY (higher) and CNY (flat), other global currencies closed lower against the dollar. Safe-haven JPY and DXY gained by 0.4% each, amidst heightened risks to global growth outlook. EUR and GBP depreciated by 0.7% each, on the back of weak manufacturing PMI data. INR fell by 0.1% to a fresh record low of 79.04/\$ led by global cues even as oil prices declined. However it is trading marginally higher today, while other Asian currencies are trading lower.

Fig 2 – Currencies

	30-06-2022	1-07-2022	% change
EUR/USD	1.0484	1.0414	(0.7)
GBP/USD	1.2178	1.2095	(0.7)
USD/JPY	135.72	135.21	0.4
USD/INR	78.97	79.04	(0.1)
USD/CNY	6.6993	6.7015	0

Source: Bloomberg, Bank of Baroda Research

- Global yields closed lower amidst worsening global growth outlook. US 10Y yield fell by 13bps as US ISM manufacturing PMI slipped a 2-year low led by a



sharp dip in new orders. Manufacturing PMI in Eurozone and UK also moderated. As a result, UK's and Germany's 10Y yield fell by 14bps and 10bps respectively. India's 10Y yield fell by 2bps to 7.42% supported by lower oil prices. It is trading further lower at 7.37% today.

Fig 3 – Bond 10Y yield

	30-06-2022	1-07-2022	change in bps
US	3.01	2.88	(13)
UK	2.23	2.09	(14)
Germany	1.34	1.23	(10)
Japan	0.23	0.23	(1)
China	2.82	2.83	1
India	7.45	7.42	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-06-2022	1-07-2022	% change
Tbill-91 days	5.11	5.10	(1)
Tbill-192 days	5.73	5.66	(7)
Tbill-364 days	6.24	6.15	(9)
G-Sec 2Y	6.53	6.46	(6)
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.51	1.50	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-06-2022	1-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.9)	(2.8)	0.1
Reverse repo	2.0	0.3	(1.7)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-06-2022	30-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(46.7)	(56.6)	(9.9)
Debt	(7.6)	(23.6)	(16.0)
Equity	(39.1)	(33.0)	6.1
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

- Oil prices slipped by 2.8% to US\$ 111.6/bbl amidst fears of global recession weighing on demand outlook. Gold prices dropped further on the back of firmer dollar. Further, gold demand is expected to dampen on the back of the import duty hike in India.

Fig 7 – Commodities

	30-06-2022	1-07-2022	% change
Brent crude (US\$/bbl)	114.8	111.6	(2.8)
Gold (US\$/ Troy Ounce)	1,807.3	1,811.4	0.2
Copper (US\$/ MT)	8,254.3	8,040.3	(2.6)
Zinc (US\$/MT)	3,182.8	3,074.0	(3.4)
Aluminium (US\$/MT)	2,445.5	2,444.0	(0.1)

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