

MORNING MOCHA

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ECONOMIST
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Better than expected macro prints in US, Europe and Asia boosted investor sentiments (yields and crude closed higher). Non-farm payroll data in US showed that 528k jobs were added in Jul'22 compared with 398k in Jun'22 and est.: 250k, thus assuring the investors that the US economy is not slowing down as yet and Fed might continue to hike rates aggressively. Further, industrial production (MoM) in Germany (0.4% versus -0.3%) and France (1.4% versus -0.3%) was also better than anticipated. Inflation in Thailand cooled in Jul'22 (7.61% versus est.: 8%), and Indonesia's Q2CY22 GDP rose by 5.4% versus est.: 5.2% and 5% in Q1. Domestically, RBI raised rates by 50bps to 5.4% and hinted at further normalisation of policy, in line with global central banks.

- Barring S&P 500 and FTSE, other global indices ended higher, led by strong US jobs report, which eased fears of slowdown in US economy. Investors might also assess this show of strength with Fed aggressively hiking rates. Shanghai Comp (1.2%) gained the most followed by Nikkei (0.9%). Sensex (0.2%) too ended in green led by gains in technology and banking stocks. It is trading further higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	4-08-2022	5-08-2022	% change
Dow Jones	32,727	32,803	0.2
S & P 500	4,152	4,145	(0.2)
FTSE	7,448	7,440	(0.1)
Nikkei	27,932	28,176	0.9
Hang Seng	20,174	20,202	0.1
Shanghai Comp	3,189	3,227	1.2
Sensex	58,299	58,388	0.2
Nifty	17,382	17,398	0.1

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies weakened. DXY strengthened by 0.9% as US jobs growth accelerated more than anticipated in Jul'22 (largest gain since Feb'22). GBP was down by 0.7% after BoE raised rates to combat inflation and warned of long recession. Euro too dropped by 0.6%. INR rose by 0.3%. However, it is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

	4-08-2022	5-08-2022	% change
EUR/USD	1.0246	1.0183	(0.6)
GBP/USD	1.2160	1.2073	(0.7)
USD/JPY	132.89	135.01	(1.6)
USD/INR	79.47	79.25	0.3
USD/CNY	6.7493	6.7619	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (lower), global yields closed sharply higher, as better than expected US jobs print suggest that Fed might continue with aggressive rate hike in Sep'22 as well. India's 10Y yield too rose significantly by 14bps (7.30%) following RBI's front-loading of rate hike (+50bps). It is trading further higher at 7.35% today.

Fig 3 – Bond 10Y yield

	4-08-2022	5-08-2022	change in bps
US	2.69	2.83	14
UK	1.89	2.05	16
Germany	0.80	0.96	15
Japan	0.18	0.17	(1)
China	2.73	2.75	1
India	7.16	7.30	14

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	3-08-2022	4-08-2022	change in bps
Tbill-91 days	5.55	5.50	(5)
Tbill-182 days	5.88	5.68	(20)
Tbill-364 days	6.21	6.15	(6)
G-Sec 2Y	6.35	6.34	(1)
SONIA int rate benchmark	1.19	1.69	50
US SOFR	2.29	2.29	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	4-08-2022	5-08-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.1)	(1.7)	0.4
Reverse repo	0.4	0.4	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	3-08-2022	4-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	508.2	266.0	(242.2)
Debt	5.0	48.8	43.8
Equity	503.2	217.3	(286.0)
Mutual funds (Rs cr)	3,513.3	1,017.8	(2,495.5)
Debt	2,873.7	904.3	(1,969.4)
Equity	639.7	113.5	(526.2)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 2nd and 3rd Aug 2022

- Crude oil prices edged upwards by 0.8% to US\$ 95/bbl on the back of strong data print from US and relatively tighter supply conditions (drop in US oil rig counts). Gold prices dropped by 0.9% as DXY strengthened.

Fig 7 – Commodities

	4-08-2022	5-08-2022	% change
Brent crude (US\$/bbl)	94.1	94.9	0.8
Gold (US\$/ Troy Ounce)	1,791.3	1,775.5	(0.9)
Copper (US\$/ MT)	7,720.2	7,862.5	1.8
Zinc (US\$/MT)	3,576.5	3,594.5	0.5
Aluminium (US\$/MT)	2,403.0	2,416.0	0.5

Source: Bloomberg, Bank of Baroda Research



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