

MORNING MOCHA

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Global stocks inched up amidst an improvement in risk-sentiment. Political uncertainty in UK ended with the resignation of Prime Minister Boris Johnson. Further, reports that China is considering a US\$ 220bn stimulus plan also boosted sentiments. In US, jobless claims rose unexpectedly to the highest since Jan'22 in the week ended 2 Jul 2022, suggesting a cooling off in labour demand. Investors keenly await US jobs report due later in the day.

- Global equity indices ended higher. Stocks in Japan and US rose the most. Investor sentiments were impacted by concomitant factors such as UK PM's resignation, minutes of major central banks (Fed and ECB), expected stimulus from China and underlying macro prints of major economies (US and Germany). Sensex rose by 0.8% supported by metal and real estate stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

| | 6-07-2022 | 7-07-2022 | % change |
|---------------|-----------|-----------|----------|
| Dow Jones | 31,038 | 31,385 | 1.1 |
| S & P 500 | 3,845 | 3,903 | 1.5 |
| FTSE | 7,108 | 7,189 | 1.1 |
| Nikkei | 26,108 | 26,491 | 1.5 |
| Hang Seng | 21,587 | 21,644 | 0.3 |
| Shanghai Comp | 3,355 | 3,364 | 0.3 |
| Sensex | 53,751 | 54,178 | 0.8 |
| Nifty | 15,990 | 16,133 | 0.9 |

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY was flat ahead of US jobs report. EUR fell by 0.2% (20-year low) as Germany's industrial production rose less than expected in May'22 (MoM). GBP rose by 0.8% supported by hawkish comments from BoE's Mann. CNY rose by 0.1% on reports of fresh fiscal stimulus. INR gained 0.2% supported by RBI's measures to boost foreign inflows. However it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 6-07-2022 | 7-07-2022 | % change |
|---------|-----------|-----------|----------|
| EUR/USD | 1.0182 | 1.0160 | (0.2) |
| GBP/USD | 1.1926 | 1.2023 | 0.8 |
| USD/JPY | 135.95 | 136.01 | 0 |
| USD/INR | 79.30 | 79.18 | 0.2 |
| USD/CNY | 6.7080 | 6.7007 | 0.1 |

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China (stable), global yields closed higher, Germany's 10Y yield rose the most by 11bps as ECB minutes highlighted that rate hike may be higher than 25bps (as initially expected). Even US 10Y yield rose by 7bps as



Fed officials (Christopher Waller and James Bullard) spoke of more restrictive policy to curb price pressures. China's 10Y yield remained stable as government is planning to sell US\$ 220bn of special bonds for funding infrastructure. India's 10Y yield rose by 6bps (7.35%) as oil prices inched up. It is trading higher at 7.38% today, ahead of the auction results.

Fig 3 – Bond 10Y yield

| | 6-07-2022 | 7-07-2022 | change in bps |
|---------|-----------|-----------|---------------|
| US | 2.93 | 2.99 | 7 |
| UK | 2.09 | 2.13 | 4 |
| Germany | 1.21 | 1.32 | 11 |
| Japan | 0.25 | 0.25 | 0 |
| China | 2.84 | 2.84 | 0 |
| India | 7.29 | 7.35 | 6 |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 6-07-2022 | 7-07-2022 | change in bps |
|--------------------------|-----------|-----------|---------------|
| Tbill-91 days | 5.10 | 5.10 | 0 |
| Tbill-182 days | 5.64 | 5.65 | 1 |
| Tbill-364 days | 6.10 | 6.11 | 1 |
| G-Sec 2Y | 6.36 | 6.40 | 5 |
| SONIA int rate benchmark | 1.19 | 1.19 | 0 |
| US SOFR | 1.54 | 1.54 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 6-07-2022 | 7-07-2022 | change (Rs tn) |
|-----------------------------------|-----------|-----------|----------------|
| Net Liquidity (-Surplus/+deficit) | (2.9) | (2.5) | 0.4 |
| Reverse repo | 2.6 | 2.6 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 5-07-2022 | 6-07-2022 | change (US\$ mn/Rs cr) |
|----------------------|-----------|-----------|------------------------|
| FII (US\$ mn) | 299.7 | 16.3 | (283.5) |
| Debt | 30.0 | 116.6 | 86.6 |
| Equity | 269.7 | (100.3) | (370.0) |
| Mutual funds (Rs cr) | 1,043.9 | 1,912.2 | 868.3 |
| Debt | (248.2) | 288.0 | 536.1 |
| Equity | 1,292.0 | 1,624.2 | 332.2 |

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 3.9% to US\$ 105/bbl as supply woes aggravated with US sanctions on Iran. Gold prices rose by 0.1% amidst safe-haven demand.

Fig 7 – Commodities

| | 6-07-2022 | 7-07-2022 | % change |
|-------------------------|-----------|-----------|----------|
| Brent crude (US\$/bbl) | 100.7 | 104.7 | 3.9 |
| Gold (US\$/ Troy Ounce) | 1,738.9 | 1,740.2 | 0.1 |
| Copper (US\$/ MT) | 7,506.3 | 7,818.5 | 4.2 |
| Zinc (US\$/MT) | 3,048.0 | 3,183.5 | 4.4 |
| Aluminium (US\$/MT) | 2,409.5 | 2,442.5 | 1.4 |

Source: Bloomberg, Bank of Baroda Research



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