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Aditi Gupta

World Bank sharply downgraded global growth forecast to 2.9% in CY22 (5.7% in CY21) versus 4.1% estimated earlier. This is on the back of Russia-Ukraine war, Covid-19 curbs in China, soaring inflation and higher interest rates which will be detrimental for growth. The report further noted that there are considerable risks of stagflation-last seen during the 1970s. Even India's growth forecast was lowered to 7.5% in FY22 from 8.7% estimated in Jan'22. Investors await US CPI data and ECB policy decision.

- Global indices ended mixed ahead of key data releases scheduled later this week, including US CPI print and ECB policy decision. Sensex (1%) ended in deep red led by sharp losses in consumer durable and real estate stocks. On the other hand, US stocks traded higher led by stronger data print (narrowing trade deficit on the back of record exports). Sensex is trading lower today; Asian indices are trading higher.

Fig 1 – Stock markets

	06-06-2022	07-06-2022	% change
Dow Jones	32,916	33,180	0.8
S & P 500	4,121	4,161	1.0
FTSE	7,608	7,599	(0.1)
Nikkei	27,916	27,944	0.1
Hang Seng	21,654	21,532	(0.6)
Shanghai Comp	3,236	3,242	0.2
Sensex	55,675	55,107	(1.0)
Nifty	16,570	16,416	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Global currencies were mixed. DXY eased by 0.1% tracking fall in US 10Y yield. EUR rose by 0.1% even as Germany's factory orders fell for the 3rd straight month. GBP gained by 0.5% supported by positive outcome of the no-confidence vote. JPY fell to a 20-year low as BoJ Governor opined that a weaker yen is likely to support the economy. INR fell by 0.1% amidst FPI outflows. However it is trading higher today; while other Asian currencies are trading mixed.

Fig 2 – Currencies

	06-06-2022	07-06-2022	% change
EUR/USD	1.0696	1.0703	0.1
GBP/USD	1.2532	1.2592	0.5
USD/JPY	131.88	132.59	(0.5)
USD/INR	77.63	77.71	(0.1)
USD/CNY	6.6539	6.6705	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (flat) and India (higher), other global yields ended lower. After breaching the 3% mark, US 10Y yield fell by 7bps as investors await CPI print for May'22. Germany's 10Y yield fell by 3bps as factory orders fell unexpectedly in Apr'22 (-2.7% versus est. +0.2% MoM). India's 10Y yield rose by 2bps (7.52%) ahead of RBI policy meet. It is trading further higher at 7.53% today.

Fig 3 – Bond 10Y yield

	06-06-2022	07-06-2022	change in bps
US	3.04	2.97	(7)
UK	2.25	2.21	(3)
Germany	1.32	1.29	(3)
Japan	0.25	0.25	0
China	2.82	2.81	(1)
India	7.50	7.52	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-06-2022	07-06-2022	% change
Tbill-91 days	5.0	5.0	(1)
Tbill-192 days	5.5	5.5	(4)
Tbill-364 days	6.1	6.1	2
G-Sec 2Y	6.6	6.6	4
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.8	0.8	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-06-2022	07-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.2)	(3.2)	0
Reverse repo	1.0	1.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-06-2022	06-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(468.7)	(437.6)	31.1
Debt	7.5	(198.9)	(206.4)
Equity	(476.2)	(238.7)	237.4
Mutual funds (Rs cr)	324.7	1,961.2	1,636.6
Debt	825.6	(127.0)	(952.6)
Equity	(500.9)	2,088.2	2,589.2

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

- Global crude oil prices dipped by 0.2% to US\$ 119.5/bbl ahead of US inventories data. Gold prices fell by 0.5% as investors closely monitored US inflation print due for release, later in the week.

Fig 7 – Commodities

	06-06-2022	07-06-2022	% change
Brent crude (US\$/bbl)	119.7	119.5	(0.2)
Gold (US\$/ Troy Ounce)	1,851.2	1,841.4	(0.5)
Copper (US\$/ MT)	9,498.5	9,743.0	2.6
Zinc (US\$/MT)	3,884.5	3,877.5	(0.2)
Aluminium (US\$/MT)	2,726.0	2,782.5	2.1

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