

MORNING MOCHA

09 June 2022

ECONOMIST
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After World Bank, OECD too cut global growth forecast for CY22 to 3% from 4.5%. However, it ruled out “stagflation” risks. On the brighter side, China’s export growth bounced back to 16.9% in May’22 from 3.9% in Apr’22. Later today, ECB is expected to provide some guidance on the future rate path. In India, RBI raised repo rate by 50bps and revised inflation forecast upwards (6.7% for FY23). However, it kept growth forecast unchanged at 7.2%, while OECD trimmed India’s growth forecast to 6.9% in FY23.

- Barring China and Japan, other global stocks ended in red. Markets in US and India fell the most, followed by FTSE. Investors in US and Europe await ECB’s rate decision and US CPI print. Sensex fell by 0.4%, following global cues and RBI’s alarm bells on inflation. Oil & gas and power stocks fell the most. It is trading further lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	07-06-2022	08-06-2022	% change
Dow Jones	33,180	32,911	(0.8)
S & P 500	4,161	4,116	(1.1)
FTSE	7,599	7,593	(0.1)
Nikkei	27,944	28,234	1.0
Hang Seng	21,532	22,015	2.2
Shanghai Comp	3,242	3,264	0.7
Sensex	55,107	54,892	(0.4)
Nifty	16,416	16,356	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except EUR (higher) and INR (flat), other global currencies closed lower against the dollar. DXY rose by 0.2% tracking higher US 10Y yield. EUR rose by 0.1% ahead of ECB policy decision. JPY fell further by 1.2% amidst widening policy divergence. INR closed broadly unchanged despite higher oil prices. However it is trading lower today; while other Asian currencies are trading higher.

Fig 2 – Currencies

	07-06-2022	08-06-2022	% change
EUR/USD	1.0703	1.0716	0.1
GBP/USD	1.2592	1.2537	(0.4)
USD/JPY	132.59	134.25	(1.2)
USD/INR	77.71	77.74	0
USD/CNY	6.6705	6.6838	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed, with 10Y yields in Germany (6bps) and US (5bps) rising the most. Investors are expecting a more hawkish stance from ECB today. US CPI print is also due for release later in the week. India’s 10Y yield fell by



2bps (7.49%), as RBI reassured that it has tools (G-SAP/OMO) to manage government's borrowing program if liquidity conditions tighten.

Fig 3 – Bond 10Y yield

	07-06-2022	08-06-2022	change in bps
US	2.97	3.02	5
UK	2.21	2.25	3
Germany	1.29	1.35	6
Japan	0.25	0.25	0
China	2.81	2.81	0
India	7.52	7.49	(2)

Source: Bloomberg, Bank of Baroda Research

- T-bill rates at RBI's weekly auction of Rs 330bn rose across the board. Cut-off yield for 182-day paper (+11bps to 5.63%) rose the most.

Fig 4 – Short term rates

	07-06-2022	08-06-2022	% change
Tbill-91 days	5.0	5.0	2
Tbill-192 days	5.5	5.6	8
Tbill-364 days	6.1	6.1	(4)
G-Sec 2Y	6.6	6.5	(11)
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.8	0.8	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-06-2022	08-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.2)	(3.3)	(0.1)
Reverse repo	1.0	1.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-06-2022	07-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(437.6)	(297.6)	140.1
Debt	(198.9)	(9.1)	189.8
Equity	(238.7)	(288.5)	(49.7)
Mutual funds (Rs cr)	1,961.2	2,600.6	639.4
Debt	(127.0)	1,343.2	1,470.2
Equity	2,088.2	1,257.4	(830.8)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 3rd and 6th Jun 2022

- Brent crude prices surged by 2.5% to a 3-month high, as demand from US remains robust. Demand is also expected to pick up in China as Covid-19 restrictions are eased.

Fig 7 – Commodities

	07-06-2022	08-06-2022	% change
Brent crude (US\$/bbl)	120.6	123.6	2.5
Gold (US\$/ Troy Ounce)	1,852.4	1,853.4	0.1
Copper (US\$/ MT)	9,699.3	9,736.3	0.4
Zinc (US\$/MT)	3,803.0	3,845.8	1.1
Aluminium (US\$/MT)	2,778.5	2,819.0	1.5

Source: Bloomberg, Bank of Baroda Research



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