

## MORNING MOCHA

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ECONOMIST  
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Elevated inflation print globally kept the investors on the edge. Eurozone inflation peaked to 8.1%, a record-high in May'22, amidst soaring energy prices. Thereby raising concerns of rate hikes by ECB much higher than anticipated. Bank of Canada is also expected to raise rates, in its policy meet scheduled later today. Stronger dollar once gain pushed gold prices lower. In India, a slew of data points were released including Indian economy clocking a growth 8.7% in FY22 against a contraction of 6.6% in FY21. Fiscal deficit came in lower at 6.7% of GDP. Core sector output registered an improvement by 8.4% in Apr'22 from 4.95% in Mar'22.

- Global stocks ended mixed as investors closely monitored accelerating inflation print globally. Hang Seng (1.4%) gained the most with official manufacturing PMI registering an improvement in May'22 over Apr'22 reading (48.1 from 46). Dow Jones (0.7%) dropped the most. Sensex too ended in red led by losses in power and banking stocks. However, it is trading higher today in line with other Asian stocks.

**Fig 1 – Stock markets**

	30-05-2022	31-05-2022	% change
Dow Jones	33,213	32,990	(0.7)
S & P 500	4,158	4,132	(0.6)
FTSE	7,600	7,608	0.1
Nikkei	27,369	27,280	(0.3)
Hang Seng	21,124	21,415	1.4
Shanghai Comp	3,149	3,186	1.2
Sensex	55,926	55,566	(0.6)
Nifty	16,661	16,585	(0.5)

Source: Bloomberg, Bank of Baroda Research; Note: US markets were closed on 30.5.2022

- Global currencies closed lower against the dollar, with JPY (0.8%), EUR (0.4%) and GBP (0.4%) falling the most. DXY rose by 0.1%, supported by inching up of treasury yields. INR depreciated by 0.1% as oil prices edged up. However, it is trading lower today in line with other Asian currencies.

**Fig 2 – Currencies**

	30-05-2022	31-05-2022	% change
EUR/USD	1.0779	1.0734	(0.4)
GBP/USD	1.2652	1.2602	(0.4)
USD/JPY	127.59	128.67	(0.8)
USD/INR	77.54	77.64	(0.1)
USD/CNY	6.6614	6.6718	(0.2)

Source: Bloomberg, Bank of Baroda Research ; Note: US markets were closed on 30.5.2022

- Global yields rose sharply with US and UK's 10Y yields rising by 11bps each, followed by 7bps increase in Germany's 10Y yield. Investors reacted to US Fed Governor Waller's statement indicating continuous 50bps rate hikes till inflation



is curbed. India's 10Y yield also rose (1bps) to 7.42%, following global cues and increase in oil prices.

**Fig 3 – Bond 10Y yield**

	30-05-2022	31-05-2022	change in bps
US	2.74	2.84	11
UK	1.99	2.10	11
Germany	1.06	1.12	7
Japan	0.24	0.24	1
China	2.77	2.80	2
India	7.41	7.42	1

Source: Bloomberg, Bank of Baroda Research; Note: US markets were closed on 30.5.2022

**Fig 4 – Short term rates**

	30-05-2022	31-05-2022	% change
Tbill-91 days	4.9	4.9	6
Tbill-182 days	5.4	5.4	1
Tbill-364 days	5.9	5.9	1
G-Sec 2Y	6.4	6.4	2
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.8	0.8	0

Source: Bloomberg, Bank of Baroda Research; Note: US markets were closed on 30.5.2022

**Fig 5 – Liquidity**

Rs tn	30-05-2022	31-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.0)	(3.3)	(0.3)
Reverse repo	3.1	3.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	27-05-2022	30-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(440.9)	342.7	783.6
Debt	(37.0)	48.4	85.3
Equity	(403.9)	294.3	698.2
Mutual funds (Rs cr)	1,349.5	(2,868.9)	(4,218.4)
Debt	1,230.6	(2,257.8)	(3,488.4)
Equity	118.9	(611.1)	(730.0)

Source: Bloomberg, Bank of Baroda Research; Note: Mutual fund data pertains to 25 and 26 May 2022

- Crude prices rose further by 1% to US\$ 123/bbl as supply concerns linger, following EU's ban on Russian oil imports. Gold fell by 1%, as yields increased and US\$ recovered, owing to Fed hike concerns.

**Fig 7 – Commodities**

	30-05-2022	31-05-2022	% change
Brent crude (US\$/bbl)	121.7	122.8	1.0
Gold (US\$/ Troy Ounce)	1,855.2	1,837.4	(1.0)
Copper (US\$/ MT)	9,537.5	9,445.5	(1.0)
Zinc (US\$/MT)	3,922.3	3,939.0	0.4
Aluminium (US\$/MT)	2,888.5	2,787.0	(3.5)

Source: Bloomberg, Bank of Baroda Research



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