

## MORNING MOCHA

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Concerns of global growth slowdown aggravated with US industrial production print remaining weak in May'22. This is in addition to other macro indicators such as retail sales, housing starts also registering significant slowdown currently. Thus, sell off in the equity market was seen, currencies depreciated and demand for sovereign bonds increased. Crude prices also fell to its lowest since 23 May 2022 at US\$ 113/bbl, on account of demand concerns. Domestic yield also fell by 7bps.

- Global stocks ended mixed. Nikkei dropped the most by 1.8%, as BoJ kept policy rate steady. Dow Jones too slipped by 0.1% as US industrial production rose less than expected in May'22. However, S&P 500 rose by 0.2%. Hang Seng and Shanghai Comp rose by 1.1% and 1% respectively. However, Sensex fell by 0.3% dragged down by oil and gas and consumer durables stocks. However, it is trading higher today while other Asian stock are trading mixed.

**Fig 1 – Stock markets**

	16-06-2022	17-06-2022	% change
Dow Jones	29,927	29,889	(0.1)
S & P 500	3,667	3,675	0.2
FTSE	7,045	7,016	(0.4)
Nikkei	26,431	25,963	(1.8)
Hang Seng	20,845	21,075	1.1
Shanghai Comp	3,285	3,317	1.0
Sensex	51,496	51,360	(0.3)
Nifty	15,361	15,294	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower against the dollar. DXY strengthened by 1% amidst growing concerns over global growth outlook. JPY slipped by 2.1% as BoJ reiterated its ultra-dovish policy stance. EUR depreciated by 0.5% as Euro Area's CPI rose further. INR depreciated marginally to a fresh historic low of 78.09/\$, led by higher oil prices and FPI outflows. However, it is trading higher today, while other Asian currencies are trading lower.

**Fig 2 – Currencies**

	16-06-2022	17-06-2022	% change
EUR/USD	1.0549	1.0499	(0.5)
GBP/USD	1.2352	1.2241	(0.9)
USD/JPY	132.21	135.02	(2.1)
USD/INR	78.08	78.08	(0.0)
USD/CNY	6.7044	6.7167	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except US (higher) and China (stable), global yields closed lower. Concerns of global growth slowdown increased appetite for sovereign bonds. Thus, Germany's 10Y yield fell by 5bps followed by Japan's 10Y yield (-3bps).



However, US 10Y yield rose by 3bps as expectation of future pace of aggressive rate hike remained contained. Elsewhere, even ECB official said that a 50bps rate hike cannot be ruled out in the event of rising inflation. India's 10Y yield fell by 7bps (7.54%) supported by moderation in oil prices.

**Fig 3 – Bond 10Y yield**

	16-06-2022	17-06-2022	change in bps
US	3.20	3.23	3
UK	2.52	2.50	(2)
Germany	1.71	1.66	(5)
Japan	0.26	0.23	(3)
China	2.82	2.81	0
India	7.62	7.54	(7)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	16-06-2022	17-06-2022	% change
Tbill-91 days	5.1	5.1	4
Tbill-192 days	5.7	5.7	1
Tbill-364 days	6.2	6.2	0
G-Sec 2Y	6.6	6.6	(4)
SONIA int rate benchmark	0.9	1.2	25
US SOFR	0.7	1.5	75

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	16-06-2022	17-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.9)	(2.3)	0.6
Reverse repo	1.0	0.3	(0.7)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	14-06-2022	15-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(416.0)	(387.7)	28.4
Debt	14.1	12.2	(1.9)
Equity	(430.1)	(399.9)	30.2
Mutual funds (Rs cr)	2,579.0	897.3	(1,681.7)
Debt	276.2	865.0	588.8
Equity	2,302.8	32.3	(2,270.4)

Source: Bloomberg, Bank of Baroda Research

- Crude prices fell by 5.6% to its lowest since May'22 at US\$ 113/bbl, as demand concerns weighed in. Further news reports suggested that, Russia, expects its oil exports to increase in CY22 despite Western sanctions and a European embargo. Gold prices fell by 1%, due to strengthening dollar.

**Fig 7 – Commodities**

	16-06-2022	17-06-2022	% change
Brent crude (US\$/bbl)	119.8	113.1	(5.6)
Gold (US\$/ Troy Ounce)	1,857.3	1,839.4	(1.0)
Copper (US\$/ MT)	9,079.8	8,967.0	(1.2)
Zinc (US\$/MT)	3,630.5	3,576.5	(1.5)
Aluminium (US\$/MT)	2,504.5	2,498.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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