

MORNING MOCHA

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ECONOMIST
Jahnavi

Global investors looked for cues as concerns over global economic downturn kept market on the edge. Eurozone business activity shrank with composite PMI dropping to 46.1 in Jul'22 (lowest since May'20). On the other hand, ECB raised rates much higher than anticipated for the first time in over 11 years, with inflation concerns trumping growth objective. Russia's Central Bank in a surprise move slashed policy rates. Markets will be watchful of the key decisions by Fed and Q2CY22 US GDP print scheduled later this week. On the domestic front, ADB slashed India's growth forecast to 7.2% for FY23 from 7.5%, citing higher than expected inflation and monetary tightening.

- Global indices ended mixed as investors closely monitored rate decisions by ECB, Russia's Central Bank and subdued flash PMIs for Eurozone. S&P 500 declined by 0.9% led by disappointing corporate earnings report. Amongst other indices, Sensex (0.7%) rose the most led by gains in banking and real estate stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	21-07-2022	22-07-2022	% change
Dow Jones	32,037	31,899	(0.4)
S & P 500	3,999	3,962	(0.9)
FTSE	7,271	7,276	0.1
Nikkei	27,803	27,915	0.4
Hang Seng	20,575	20,609	0.2
Shanghai Comp	3,272	3,270	(0.1)
Sensex	55,682	56,072	0.7
Nifty	16,605	16,719	0.7

Source: Bloomberg, Bank of Baroda Research

- Except GBP (flat) and EUR (lower), other global currencies ended higher. DXY fell by 0.2% as amidst weak macro prints (PMIs, initial jobless claims). Euro slipped as ECB hiked rates more than anticipated and PMIs indicated slowing economic activity. INR rose by 0.1% to close at 79.85/US\$. However, it is trading lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	21-07-2022	22-07-2022	% change
EUR/USD	1.0230	1.0213	(0.2)
GBP/USD	1.1995	1.1999	0
USD/JPY	137.36	136.12	0.9
USD/INR	79.95	79.85	0.1
USD/CNY	6.7668	6.7515	0.2

Source: Bloomberg, Bank of Baroda Research

- Barring China (higher), other global yields closed lower. 10Y yields of Germany (19bps), US (12bps) and UK (11bps) fell the most. Weaker than expected



manufacturing and services PMI prints for major economies like Germany, France, overall Eurozone and US impacted investor sentiment. ECB rate hike added to woes. India's 10Y yield fell by 3bps to 7.42%, as oil prices eased.

Fig 3 – Bond 10Y yield

	21-07-2022	22-07-2022	change in bps
US	2.87	2.75	(12)
UK	2.05	1.94	(11)
Germany	1.22	1.03	(19)
Japan	0.24	0.22	(2)
China	2.76	2.79	2
India	7.44	7.42	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-07-2022	22-07-2022	change in bps
Tbill-91 days	5.40	5.41	1
Tbill-182 days	5.81	5.53	(28)
Tbill-364 days	6.21	6.19	(2)
G-Sec 2Y	6.45	6.40	(5)
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.53	1.53	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-07-2022	22-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.2)	0.1
Reverse repo	2.1	2.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-07-2022	21-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,006.6	296.5	(710.0)
Debt	129.8	62.1	(67.7)
Equity	876.8	234.4	(642.3)
Mutual funds (Rs cr)	(789.7)	(953.9)	(164.2)
Debt	(397.9)	(492.2)	(94.4)
Equity	(391.9)	(461.7)	(69.8)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 19th and 20th Jul 2022

- Crude prices moderated by 0.6% to US\$ 103/bbl on expectations of rate hike by Fed, raising the possibility of lower fuel demand. Gold prices inched up by 0.5% supported by a pullback in US treasury yields.

Fig 7 – Commodities

	21-07-2022	22-07-2022	% change
Brent crude (US\$/bbl)	103.9	103.2	(0.6)
Gold (US\$/ Troy Ounce)	1,718.8	1,727.6	0.5
Copper (US\$/ MT)	7,304.0	7,433.0	1.8
Zinc (US\$/MT)	2,997.3	3,069.5	2.4
Aluminium (US\$/MT)	2,420.5	2,475.5	2.3

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com