

MORNING MOCHA

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Global commodity prices took a breather and easing fears around inflation adding to the possibility of less aggressive monetary tightening by Fed. Demand for safe-haven as a result weakened with dollar sliding by 0.2%. Global stock indices closed higher. Global yields largely ended higher with US 10Y yield up by 4bps. Investors will closely monitor the following events this week; G-7, OPEC+ meet, Q1CY22 print of US GDP and UK retail sales.

- Global indices continued to trade higher in a sign of a possible relief rally from the ongoing sell-off. Additionally, a dip in commodity prices also eased fears of surge in inflation. Amongst other indices, S&P500 (3.1%) gained the most. This was followed by both FTSE and Dow Jones inching up by 2.7% each. Sensex too ended in green rose by 0.9% led by gains in auto and power stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	23-06-2022	24-06-2022	% change
Dow Jones	30,677	31,501	2.7
S & P 500	3,796	3,912	3.1
FTSE	7,020	7,209	2.7
Nikkei	26,171	26,492	1.2
Hang Seng	21,274	21,719	2.1
Shanghai Comp	3,320	3,350	0.9
Sensex	52,266	52,728	0.9
Nifty	15,557	15,699	0.9

Source: Bloomberg, Bank of Baroda Research

- Except JPY (lower) and INR (flat), other global currencies ended higher against the dollar. DXY retreated by 0.2% as dip in commodity prices (copper/zinc/aluminium) have eased inflationary concerns and are raising fears over possibility of global recession. Today, INR is trading higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	23-06-2022	24-06-2022	% change
EUR/USD	1.0523	1.0553	0.3
GBP/USD	1.2260	1.2268	0.1
USD/JPY	134.95	135.23	(0.2)
USD/INR	78.31	78.34	0
USD/CNY	6.6990	6.6898	0.1

Source: Bloomberg, Bank of Baroda Research

- Barring UK and Japan (lower), other global yields closed higher. US 10Y yield rose the most (4bps), as Fed Chair Powell reaffirmed central bank's "unconditional" support to tame inflation. Yields in China (2bps) and Germany



(1bps) too inched up. India's 10Y yield rose by 2bps to 7.44%, following pick up in crude oil prices.

Fig 3 – Bond 10Y yield

	23-06-2022	24-06-2022	change in bps
US	3.09	3.13	4
UK	2.32	2.30	(1)
Germany	1.43	1.44	1
Japan	0.24	0.23	(1)
China	2.83	2.85	2
India	7.42	7.44	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	23-06-2022	24-06-2022	% change
Tbill-91 days	5.1	5.1	(1)
Tbill-192 days	5.7	5.7	(1)
Tbill-364 days	6.2	6.2	0
G-Sec 2Y	6.5	6.6	2
SONIA int rate benchmark	1.2	1.2	0
US SOFR	1.5	1.4	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	23-06-2022	24-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.0)	(2.0)	0
Reverse repo	2.0	2.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	22-06-2022	23-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(21.1)	(280.0)	(258.9)
Debt	313.0	(23.1)	(336.1)
Equity	(334.1)	(256.9)	77.2
Mutual funds (Rs cr)	1,385.1	842.9	(542.3)
Debt	879.1	374.2	(504.9)
Equity	506.1	468.7	(37.4)

Source: Bloomberg, Bank of Baroda Research

- Crude prices surged by 2.8% to US\$ 113/bbl, amidst tightening of supplies and ahead of G-7 meet. Gold prices too inched up by 0.2% as dollar weakened.

Fig 7 – Commodities

	23-06-2022	24-06-2022	% change
Brent crude (US\$/bbl)	110.1	113.1	2.8
Gold (US\$/ Troy Ounce)	1,822.8	1,826.9	0.2
Copper (US\$/ MT)	8,397.0	8,381.0	(0.2)
Zinc (US\$/MT)	3,709.5	3,485.0	(6.1)
Aluminium (US\$/MT)	2,477.5	2,456.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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