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Aditi Gupta

Economic activity in the Eurozone as measured by the composite PMI, slumped to a 16-month low, further fuelling risks of a global recession. Global bond yields and currencies declined. Commodity prices too fell. DXY strengthened to a 20-year high on the back of safe-haven demand. In UK as well, apart from Brexit risks, political crisis also deepened which drove GBP and FTSE sharply lower. In India, INR fell to a fresh record low weighed down by concerns over widening trade deficit and persistent FPI outflows.

- Global indices ended mixed as fears of a global recession aggravated. Investors continued to look for cues from central banks ahead of the Fed minutes and ECB report on monetary policy, scheduled later this week. FTSE (2.9%) dropped the most as political crisis deepened in the UK. Sensex (0.2%) too ended in red led by losses in FMCG and banking stocks. However, it is trading higher today while other Asian stocks are trading lower.

Fig 1 – Stock markets

	4-07-2022	5-07-2022	% change
Dow Jones	31,097	30,968	(0.4)
S & P 500	3,825	3,831	0.2
FTSE	7,233	7,025	(2.9)
Nikkei	26,154	26,423	1.0
Hang Seng	21,830	21,853	0.1
Shanghai Comp	3,405	3,404	0
Sensex	53,235	53,134	(0.2)
Nifty	15,835	15,811	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower. DXY rose by 1.3% to a 20-year high as concerns over global recession drove safe-haven demand. EUR depreciated sharply by 1.5% as Eurozone's composite PMI index fell to a 16-month low in Jun'22. GBP also fell by 1.4% amidst a growing political crisis. INR slumped by 0.3% to a fresh record-low led by concerns over burgeoning trade deficit. It is trading marginally higher today, in line with other Asian currencies.

Fig 2 – Currencies

	4-07-2022	5-07-2022	% change
EUR/USD	1.0422	1.0266	(1.5)
GBP/USD	1.2118	1.1947	(1.4)
USD/JPY	135.62	135.85	(0.2)
USD/INR	78.95	79.36	(0.5)
USD/CNY	6.7006	6.7197	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except India (higher), global yields closed lower. Fear of recession increased investors appetite for sovereign securities. Germany and UK's 10Y yield fell the



most by 15bps each ahead of the release of ECB's accounts of its latest monetary policy. Even in UK, release of the financial stability report is awaited. US 10Y and 2Y yield curve also showed inversion with short end yields rising at a faster pace. India's 10Y yield rose by 1bps (7.39%). However, it is trading lower at 7.32% today, supported by falling crude prices.

Fig 3 – Bond 10Y yield

	4-07-2022	5-07-2022	change in bps
US	2.88	2.81	(7)
UK	2.20	2.05	(15)
Germany	1.33	1.18	(15)
Japan	0.23	0.22	(1)
China	2.85	2.83	(2)
India	7.37	7.39	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	4-07-2022	5-07-2022	change in bps
Tbill-91 days	5.04	5.09	5
Tbill-192 days	5.65	5.63	(2)
Tbill-364 days	6.09	6.10	1
G-Sec 2Y	6.46	6.46	0
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.50	1.52	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	4-07-2022	5-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.9)	(3.2)	(0.3)
Reverse repo	2.6	2.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	1-07-2022	4-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(374.7)	(221.8)	152.9
Debt	(13.4)	(40.3)	(26.9)
Equity	(361.3)	(181.5)	179.8
Mutual funds (Rs cr)	1,043.9	1,912.2	868.3
Debt	(248.2)	288.0	536.1
Equity	1,292.0	1,624.2	332.2

Source: Bloomberg, Bank of Baroda Research

- Crude prices fell by 9.5% to US\$ 103/bbl, as recession fears aggravated with depreciating yen and yield curve inversion in US. Gold prices fell by 2.4% as DXY strengthened.

Fig 7 – Commodities

	4-07-2022	5-07-2022	% change
Brent crude (US\$/bbl)	113.5	102.8	(9.5)
Gold (US\$/ Troy Ounce)	1,808.2	1,764.8	(2.4)
Copper (US\$/ MT)	7,998.5	7,657.8	(4.3)
Zinc (US\$/MT)	3,173.0	3,040.1	(4.2)
Aluminium (US\$/MT)	2,444.0	2,464.0	0.8

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