

## MORNING MOCHA

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ECONOMIST  
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Global stocks were mostly higher as China relaxed Covid-19 curbs in Beijing, thus easing supply-chain concerns. US 10Y yield rose further to 3.04%, as investors await CPI print. US CPI is expected to have inched up to 0.7% in May'22 versus 0.3% in Apr'22, on a MoM basis. This along with tight labour market conditions in the US, is likely to prompt US Fed to continue with its aggressive rate hike cycle. In the UK, Prime Minister Boris Johnson won the confidence vote. As a result, FTSE and GBP gained and 10Y yield edged up. In India, investors await RBI policy decision.

- Global equity indices ended mixed. Investors monitored relaxation in Covid-19 related curbs in China, weakness in yen (20-year low), key central bank decisions (RBA, ECB, RBI) and movement in US 10Y yield. Hang Seng rose the most, followed by Shanghai Comp and FTSE. Sensex ended lower by 0.2% led by losses in consumer durables and capital goods stocks. It is trading further lower today; while other Asian stocks are trading higher.

**Fig 1 – Stock markets**

	03-06-2022	06-06-2022	% change
Dow Jones	32,900	32,916	0
S & P 500	4,109	4,121	0.3
FTSE	7,533	7,608	1.0
Nikkei	27,762	27,916	0.6
Hang Seng	21,082	21,654	2.7
Shanghai Comp	3,195	3,236	1.3
Sensex	55,769	55,675	(0.2)
Nifty	16,584	16,570	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Major global currencies closed mixed. DXY rose by 0.3% as US 10Y yield shot up to above 3% mark for the first time in two-weeks. On the other hand, JPY fell sharply by 0.8% as BoJ Governor reaffirmed the bank's ultra-dovish stance. GBP rose by 0.4% as UK's PM won the confidence vote. INR closed flat. However it is trading lower today; in line with other Asian currencies.

**Fig 2 – Currencies**

	03-06-2022	06-06-2022	% change
EUR/USD	1.0719	1.0696	(0.2)
GBP/USD	1.2488	1.2532	0.4
USD/JPY	130.88	131.88	(0.8)
USD/INR	77.63	77.63	0
USD/CNY	6.6603	6.6539	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed higher. US 10Y yield rose the most by 11bps crossing the 3% mark, seen during mid of May'22. Tighter labour market data supported the view of a faster pace of rate hike by US Fed. Even UK and Germany's 10Y yield



rose by 9bps and 5bps respectively. Investors are awaiting major central banks policy decisions in terms of rate hike and ending of bond support program.

India's 10Y yield rose by 4bps (7.5%) ahead of RBI policy. It is trading further higher at 7.52% today.

**Fig 3 – Bond 10Y yield**

	03-06-2022	06-06-2022	change in bps
US	2.93	3.04	11
UK	2.16	2.25	9
Germany	1.27	1.32	5
Japan	0.23	0.25	1
China	2.81	2.82	1
India	7.46	7.50	4

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	03-06-2022	06-06-2022	% change
Tbill-91 days	4.94	4.97	3
Tbill-192 days	5.50	5.54	4
Tbill-364 days	6.08	6.09	1
G-Sec 2Y	6.48	6.56	8
SONIA int rate benchmark	0.94	0.94	0
US SOFR	0.79	0.80	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	03-06-2022	06-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.4)	(3.2)	0.2
Reverse repo	0.3	1.0	0.7
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	02-06-2022	03-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	0.8	(468.7)	(469.5)
Debt	74.5	7.5	(67.0)
Equity	(73.7)	(476.2)	(402.5)
Mutual funds (Rs cr)	2,662.0	151.3	(2,510.8)
Debt	586.9	123.3	(463.6)
Equity	2,075.1	27.9	(2,047.2)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 31st May and 1st Jun 2022

- Crude prices moderated slightly by 0.2% to US\$ 120/bbl as gasoline and distillate stockpiles in the US are likely to increase, according to the Reuters poll report. However, it is likely to inch up as Saudi Arabia raised the Jul'22 official selling price (OSP). Gold prices fell by 0.5% as dollar strengthened.

**Fig 7 – Commodities**

	03-06-2022	06-06-2022	% change
Brent crude (US\$/bbl)	119.7	119.5	(0.2)
Gold (US\$/ Troy Ounce)	1,851.2	1,841.4	(0.5)
Copper (US\$/ MT)	9,498.5	9,743.0	2.6
Zinc (US\$/MT)	3,884.5	3,877.5	(0.2)
Aluminium (US\$/MT)	2,726.0	2,782.5	2.1

Source: Bloomberg, Bank of Baroda Research



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