

## MORNING MOCHA

10 June 2022

ECONOMIST  
Aditi Gupta

ECB announced ending its asset purchase programme from 1 Jul 2022 and also signalled a 25bps rate hike in Jul'22. Inflation forecast for CY22 was revised up to 6.8%, while growth estimate was lowered to 2.8%. Notably, inflation is expected to be above ECB's target of 2%, till CY24. In US, jobless claims rose more than expected to 229,000-highest since Jan'22. PPI inflation in China eased to a 14-month low of 6.4% in May'22 from 8.4% in Apr'22 on a YoY basis, as strict Covid-19 restrictions curbed demand. CPI inflation remained steady at 2.1% in May'22. In India, IIP data is scheduled to be released later in the day.

- Except Nikkei (flat), global equity indices ended lower. Investors monitored ECB policy decision, developments surrounding China's "Covid zero" policy and jobless claims data in the US. S&P 500 fell the most (2.4%) followed by Dow Jones (1.9%) and FTSE (1.5%). However, Sensex, rose by 0.8%, led by oil and gas and technology stocks. It is trading lower today; while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	08-06-2022	09-06-2022	% change
Dow Jones	32,911	32,273	(1.9)
S & P 500	4,116	4,018	(2.4)
FTSE	7,593	7,476	(1.5)
Nikkei	28,234	28,247	0
Hang Seng	22,015	21,869	(0.7)
Shanghai Comp	3,264	3,239	(0.8)
Sensex	54,892	55,320	0.8
Nifty	16,356	16,478	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower. DXY rose by 0.7% tracking higher US 10Y yield. EUR depreciated the most by 0.9% as ECB revised the growth forecast for CY22 sharply lower to 2.8% versus 3.7% earlier. INR weakened marginally to a fresh record-low of 77.77/\$ amidst persistent FPI outflows. It is trading further lower today; while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	08-06-2022	09-06-2022	% change
EUR/USD	1.0716	1.0617	(0.9)
GBP/USD	1.2537	1.2493	(0.4)
USD/JPY	134.25	134.36	(0.1)
USD/INR	77.74	77.77	0
USD/CNY	6.6838	6.6925	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While China's 10Y yield fell a tad by 1bps on expectation of more stimulus from PBOC, Japan's 10Y yield closed stable as



PPI data (MoM) remained flat against est.: 0.6% increase in May'22. On the other hand, Germany's 10Y yield rose sharply by 8bps following ECB's signalling of 25bps rate hike in Jul'22. It also revised its inflation projection upwards to 6.8% in CY22 (5.1% earlier). India's 10Y yield closed flat at 7.5%. It is trading at 7.52% ahead of auction results.

**Fig 3 – Bond 10Y yield**

	08-06-2022	09-06-2022	change in bps
US	3.02	3.04	2
UK	2.25	2.32	8
Germany	1.35	1.43	8
Japan	0.25	0.25	0
China	2.81	2.80	(1)
India	7.49	7.50	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	08-06-2022	09-06-2022	% change
Tbill-91 days	4.98	4.97	(1)
Tbill-192 days	5.58	5.54	(4)
Tbill-364 days	6.07	6.07	0
G-Sec 2Y	6.50	6.49	0
SONIA int rate benchmark	0.94	0.94	0
US SOFR	0.77	0.76	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	08-06-2022	09-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.2)	(3.2)	0
Reverse repo	1.0	1.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	07-06-2022	08-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(297.6)	(296.1)	1.5
Debt	(9.1)	13.7	22.8
Equity	(288.5)	(309.8)	(21.3)
Mutual funds (Rs cr)	(1,011.0)	495.3	1,506.4
Debt	(1,508.0)	(457.9)	1,050.2
Equity	497.0	953.2	456.2

Source: Bloomberg, Bank of Baroda Research

- Brent crude prices fell a tad by 0.4% to US\$ 123.1/bbl, as China imposed fresh lockdown restriction in Shanghai, thus raising demand concerns. Gold prices fell by 0.3% as dollar strengthened.

**Fig 7 – Commodities**

	08-06-2022	09-06-2022	% change
Brent crude (US\$/bbl)	123.6	123.1	(0.4)
Gold (US\$/ Troy Ounce)	1,853.4	1,848.0	(0.3)
Copper (US\$/ MT)	9,736.3	9,620.1	(1.2)
Zinc (US\$/MT)	3,845.8	3,777.3	(1.8)
Aluminium (US\$/MT)	2,819.0	2,761.0	(2.1)

Source: Bloomberg, Bank of Baroda Research



## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com