

MORNING MOCHA

14 July 2022

ECONOMIST
Sonal Badhan

Slew of macro-economic prints (US CPI, China trade, central bank decisions) guided the markets. US CPI rose to 9.1% in Jun'22 (est.: 8.7%), up from 8.6% in May'22, driven by elevated gasoline prices (+60% YoY and +11% MoM). This has increased the possibility of even more aggressive rate hike by Fed. On the other hand, China's import data showed signs of slowing demand (1% in Jun'22 versus 4.1% in May'22), thus raising fears of global growth slowdown. Central Banks of Canada, Singapore and Philippines have further tightened their monetary policies to rein in inflation.

- Barring Nikkei and Shanghai Comp, other global indices ended lower as investors monitored hotter than expected US CPI print. With this, investors are anticipating a much aggressive monetary tightening by Fed with a possibility of even 100bps rate hike. Sensex (0.7%) too ended in red, led by oil and banking stocks. However, it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	12-07-2022	13-07-2022	% change
Dow Jones	30,981	30,773	(0.7)
S & P 500	3,819	3,802	(0.4)
FTSE	7,210	7,156	(0.7)
Nikkei	26,337	26,479	0.5
Hang Seng	20,845	20,798	(0.2)
Shanghai Comp	3,281	3,284	0.1
Sensex	53,887	53,514	(0.7)
Nifty	16,058	15,967	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed against dollar. DXY retreated from an all-time high and declined by 0.1% after US CPI rose to 40-year high in Jun'22. Euro rose by 0.2% and moved above the US\$ parity (breached earlier), despite concerns around energy prices. INR weakened further as it crawled closely to the 80/\$ mark. It is trading lower today, while other currencies are trading mixed.

Fig 2 – Currencies

	12-07-2022	13-07-2022	% change
EUR/USD	1.0037	1.0059	0.2
GBP/USD	1.1889	1.1889	0
USD/JPY	136.87	137.39	(0.4)
USD/INR	79.60	79.64	0
USD/CNY	6.7249	6.7187	0.1

Source: Bloomberg, Bank of Baroda Research

- Barring Germany (higher) and China (flat), other global yields declined. US (4bps) and UK's (2bps) 10Y yields fell the most. US CPI print indicates that monetary policy tightening will continue, leading to fears of impending growth slowdown. UK's monthly GDP data surprised positively, however falling retail



sales and slump in recreation activities suggests revival still faces concerns.

India's 10Y yield fell by 6bps to 7.34%, supported by steady oil prices.

Fig 3 – Bond 10Y yield

	12-07-2022	13-07-2022	change in bps
US	2.97	2.93	(4)
UK	2.08	2.06	(2)
Germany	1.13	1.15	1
Japan	0.24	0.23	(1)
China	2.81	2.81	0
India	7.39	7.34	(6)

Source: Bloomberg, Bank of Baroda Research

- In RBI's latest T-bill auction, short-end yields inched up. Cut-off yield on 91-day paper rose by 10bps, while that on 182-day paper was up by 8bps.

Fig 4 – Short term rates

	12-07-2022	13-07-2022	% change
Tbill-91 days	5.2	5.2	7
Tbill-192 days	5.7	5.7	(1)
Tbill-364 days	6.1	6.1	0
G-Sec 2Y	6.4	6.4	2
SONIA int rate benchmark	1.2	1.2	0
US SOFR	1.5	1.5	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-07-2022	13-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.4)	(2.6)	(0.2)
Reverse repo	2.2	2.6	0.4
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-07-2022	12-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	40.7	(173.1)	(213.7)
Debt	(4.6)	9.9	14.5
Equity	45.2	(183.0)	(228.2)
Mutual funds (Rs cr)	(1,437.2)	(2,733.8)	(1,296.7)
Debt	(943.4)	(1,011.9)	(68.5)
Equity	(493.7)	(1,721.9)	(1,228.2)

Source: Bloomberg, Bank of Baroda Research

- Crude prices remained broadly stable as investors monitor US CPI print and await cues on Fed's policy stance. Gold rose by 0.6% as US\$ weakened.

Fig 7 – Commodities

	12-07-2022	13-07-2022	% change
Brent crude (US\$/bbl)	99.5	99.6	0.1
Gold (US\$/ Troy Ounce)	1,726.0	1,735.5	0.6
Copper (US\$/ MT)	7,335.0	7,310.5	(0.3)
Zinc (US\$/MT)	3,123.5	3,039.0	(2.7)
Aluminium (US\$/MT)	2,360.0	2,355.5	(0.2)

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