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Investors looked for cues as uncertainties clouded global markets. Relaxations of Covid-19 restrictions in China bolstered hope of economic revival. US consumer confidence dropped to its lowest level since Feb'21 (98.7 in Jun'22 from 103.2 in May'22). With this, fears of recession in the US economy heightened. ECB in its annual forum reaffirmed its commitment to raise rates in order to combat inflation. Global crude oil prices continued to climb higher on the back of supply constraints. INR depreciated to a fresh record low of 78.77/\$ amidst higher oil prices.

- Barring US indices, other global indices ended higher. Shanghai comp, FTSE and Hang Seng climbed up by 0.9% each after China eased the Covid-19 restrictions. US indices ended lower led by weaker data print (US consumer confidence dropped in Jun'22) bringing back fears of possible recession. Sensex ended flat. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	27-06-2022	28-06-2022	% change
Dow Jones	31,438	30,947	(1.6)
S & P 500	3,900	3,822	(2.0)
FTSE	7,258	7,323	0.9
Nikkei	26,871	27,049	0.7
Hang Seng	22,230	22,419	0.9
Shanghai Comp	3,379	3,409	0.9
Sensex	53,161	53,177	0
Nifty	15,832	15,850	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower against the dollar. DXY rose by 0.5% owing to increase in safe-haven demand. Weaker than anticipated US consumer confidence print and increased probability of growth suffering a larger hit in Europe impacted investor sentiments. INR fell by 0.5% following global cues. It is trading further lower today, in line with other Asian currencies.

Fig 2 – Currencies

	27-06-2022	28-06-2022	% change
EUR/USD	1.0584	1.0519	(0.6)
GBP/USD	1.2265	1.2184	(0.7)
USD/JPY	135.46	136.14	(0.5)
USD/INR	78.35	78.77	(0.5)
USD/CNY	6.6918	6.7080	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring US (lower) and Japan (flat), other global yields closed higher. Germany (8bps) and UK's (7bps) 10Y yields rose the most. ECB president Lagarde reaffirmed central bank's commitment to take significant action if there is



deterioration in inflation outlook. US 10Y yield fell by 3bps as investors become increasingly wary of possibility of an economic recession, as consumer confidence index in US slipped in Jun'22 and home prices saw deceleration in Apr'22. India's 10Y yield rose by 6bps to 7.47%, owing to pick up in oil prices.

Fig 3 – Bond 10Y yield

	27-06-2022	28-06-2022	change in bps
US	3.20	3.17	(3)
UK	2.39	2.47	7
Germany	1.55	1.63	8
Japan	0.25	0.24	0
China	2.83	2.85	2
India	7.41	7.47	6

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-06-2022	28-06-2022	% change
Tbill-91 days	5.1	5.1	6
Tbill-192 days	5.7	5.8	5
Tbill-364 days	6.2	6.2	4
G-Sec 2Y	6.6	6.5	(1)
SONIA int rate benchmark	1.2	1.2	0
US SOFR	1.5	1.5	4

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-06-2022	28-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.2)	(2.3)	(0.1)
Reverse repo	2.0	2.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-06-2022	27-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(304.7)	(259.8)	44.9
Debt	(35.6)	(120.4)	(84.8)
Equity	(269.2)	(139.5)	129.7
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 climbed further higher as major producers such as UAE and Saudi Arabia flagged their capacity limits adding to concerns of tightening of supplies. Gold slipped lower led by higher by DXY.

Fig 7 – Commodities

	27-06-2022	28-06-2022	% change
Brent crude (US\$/bbl)	115.1	118.0	2.5
Gold (US\$/ Troy Ounce)	1,822.9	1,820.0	(0.2)
Copper (US\$/ MT)	8,419.3	8,360.0	(0.7)
Zinc (US\$/MT)	3,384.0	3,390.0	0.2
Aluminium (US\$/MT)	2,495.5	2,491.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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