

MORNING MOCHA

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ECONOMIST
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Global markets continue to oscillate as investors track global data print over the hope of Fed not continuing with aggressive pace of rate hike. US private payrolls rose at a much slower pace than anticipated signalling a possible cooling off the economy. Dollar index slipped. Demand for safe haven (Gold) again inched up. Oil prices too edged upwards after US inventory dropped more than expected as demand rose. Markets will await US jobs report scheduled to release later today.

- Global indices ended mixed as investors continued to monitor looming threat of surge in inflation. FTSE and Hang Seng ended lower by 1% each. Dow Jones on the other hand snapped its two-day losing streak as it gained by 1.3% ahead of US jobs report. Sensex (0.8%) too ended in green led by gains in oil and gas and IT stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	1-06-2022	2-06-2022	% change
Dow Jones	32,813	33,248	1.3
S & P 500	4,101	4,177	1.8
FTSE	7,608	7,533	(1.0)
Nikkei	27,458	27,414	(0.2)
Hang Seng	21,295	21,082	(1.0)
Shanghai Comp	3,182	3,195	0.4
Sensex	55,381	55,818	0.8
Nifty	16,523	16,628	0.6

Source: Bloomberg, Bank of Baroda Research

- Except INR (lower), other global currencies closed higher against the dollar, with EUR (0.9%) rising the most. DXY fell by 0.7%, owing to weaker than expected ADP employment print. INR depreciated by 0.1% as oil prices inched up. However, it is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	1-06-2022	2-06-2022	% change
EUR/USD	1.0650	1.0747	0.9
GBP/USD	1.2487	1.2578	0.7
USD/JPY	130.13	129.84	0.2
USD/INR	77.53	77.61	(0.1)
USD/CNY	6.6862	6.6603	0.4

Source: Bloomberg, Bank of Baroda Research

- Except US and Japan (flat), other major global yields inched up. US investors remained cautious following unexpected dip in ADP employment print. Germany's 10Y yield rose by 5bps to reach near 8-year high level of 1.24% as inflation prints indicate that ECB will hike rates sooner than anticipated. India's



10Y yield also rose by 2bps (7.43%), ahead of RBI's auction of G-sec securities today, and also led by increase in international oil prices.

Fig 3 – Bond 10Y yield

	1-06-2022	2-06-2022	change in bps
US	2.91	2.91	0
UK	2.10	2.16	5
Germany	1.19	1.24	5
Japan	0.24	0.24	0
China	2.80	2.81	1
India	7.42	7.43	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	1-06-2022	2-06-2022	% change
Tbill-91 days	4.9	4.9	0
Tbill-182 days	5.5	5.1	(42)
Tbill-364 days	6.0	6.1	7
G-Sec 2Y	6.4	6.4	3
SONIA int rate benchmark	0.9	0.9	0
US SOFR	0.8	0.8	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-06-2022	2-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(3.7)	(3.6)	0.1
Reverse repo	3.1	3.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-05-2022	1-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(75.9)	(109.4)	(33.5)
Debt	52.2	(16.3)	(68.5)
Equity	(128.1)	(93.1)	34.9
Mutual funds (Rs cr)	3,297.1	2,204.1	(1,093.1)
Debt	1,467.6	1,143.4	(324.2)
Equity	1,829.5	1,060.7	(768.8)

Source: Bloomberg, Bank of Baroda Research; Note: Mutual fund data pertains to 27 and 30 May 2022

- Crude prices rose by 1.1% to US\$ 118/bbl on hopes revival in demand as China loosens Covid-19 restrictions in major cities and drop in US inventory. Gold too rose, by 1.2%, supported by retreating US\$ (-0.7%).

Fig 7 – Commodities

	1-06-2022	1-07-2022	% change
Brent crude (US\$/bbl)	116.3	117.6	1.1
Gold (US\$/ Troy Ounce)	1,846.6	1,868.6	1.2
Copper (US\$/ MT)	9,445.5	9,498.5	0.6
Zinc (US\$/MT)	3,939.0	3,884.5	(1.4)
Aluminium (US\$/MT)	2,787.0	2,726.0	(2.2)

Source: Bloomberg, Bank of Baroda Research



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