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Global risk sentiment improved on reports that US President is likely to rollback tariffs on certain Chinese imports to check surging inflation. Global stocks and bond yields were mostly higher. Services activity in China picked up sharply in Jun'22 (PMI at 54.5 versus 41.4 in May'22). Services PMI in Japan also showed improvement. In India, trade deficit touched a new record high of US\$ 25.6bn in Jun'22, putting further pressure on the country's external position. As a result, INR is trading at a new record-low of 79.05/\$ today.

- Except Hang Seng (lower), global markets ended higher. Investors remained watchful ahead of US Fed minutes and BoE's Financial Stability Report, scheduled to be released this week. Gains in European markets were led by oil and gas stocks. Markets also await ECB officials' comments on rate and inflation in the current week. US markets were closed. Sensex also inched up by 0.6%, supported by banking and capital goods stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	1-07-2022	4-07-2022	% change
Dow Jones	30,775	31,097	1.0
S & P 500	3,785	3,825	1.1
FTSE	7,169	7,233	0.9
Nikkei	25,936	26,154	0.8
Hang Seng	21,860	21,830	(0.1)
Shanghai Comp	3,388	3,405	0.5
Sensex	52,908	53,235	0.6
Nifty	15,752	15,835	0.5

Source: Bloomberg, Bank of Baroda Research | Markets in US were closed on 4-07-2022

- Except JPY (lower) and CNY (flat), other global currencies closed higher. EUR rose by 0.1% as elevated inflation print raised expectations of policy tightening by ECB. GBP too gained by 0.2% as investors assessed the possibility of bigger rate hikes by BoE. INR appreciated by 0.1% tracking gains in local equity market. However it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	1-07-2022	4-07-2022	% change
EUR/USD	1.0414	1.0422	0.1
GBP/USD	1.2095	1.2118	0.2
USD/JPY	135.21	135.62	(0.3)
USD/INR	79.04	78.95	0.1
USD/CNY	6.7015	6.7006	0

Source: Bloomberg, Bank of Baroda Research

- Except Japan (stable) and India (lower), global yields closed higher. Investors remained cautious tracking Eurozone PPI data, PMI print of Japan and China



and rate decision by RBA and Malaysia. India's 10Y yield fell by 5bps (7.37%) as government's introduction of special additional excise duty on exported crude oil products provided some breather on revenue loss, which might curtail additional market borrowings. However, it is trading higher at 7.41% today.

Fig 3 – Bond 10Y yield

	1-07-2022	4-07-2022	change in bps
US	3.01	2.88	(13)
UK	2.09	2.20	11
Germany	1.23	1.33	10
Japan	0.23	0.23	0
China	2.83	2.85	2
India	7.42	7.37	(5)

Source: Bloomberg, Bank of Baroda Research | Markets in US were closed on 4-07-2022

Fig 4 – Short term rates

	1-07-2022	4-07-2022	change in bps
Tbill-91 days	5.10	5.04	(6)
Tbill-192 days	5.66	5.65	(1)
Tbill-364 days	6.15	6.09	(6)
G-Sec 2Y	6.46	6.46	0
SONIA int rate benchmark	1.19	1.19	0
US SOFR	1.51	1.50	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-07-2022	4-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.8)	(2.9)	(0.1)
Reverse repo	0.3	2.6	1.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	30-06-2022	1-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(56.6)	(374.7)	(318.1)
Debt	(23.6)	(13.4)	10.1
Equity	(33.0)	(361.3)	(328.2)
Mutual funds (Rs cr)	1,043.9	1,912.2	868.3
Debt	(248.2)	288.0	536.1
Equity	1,292.0	1,624.2	332.2

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 1.7% to US\$ 114/bbl, amidst tight supply due to lower OPEC output, unrest in Libya and sanctions on Russia. Gold prices rose by 0.3% amidst safe haven demand.

Fig 7 – Commodities

	1-07-2022	4-07-2022	% change
Brent crude (US\$/bbl)	111.6	113.5	1.7
Gold (US\$/ Troy Ounce)	1,811.4	1,816.5	0.3
Copper (US\$/ MT)	8,040.3	7,998.5	(0.5)
Zinc (US\$/MT)	3,074.0	3,173.0	3.2
Aluminium (US\$/MT)	2,444.0	2,464.0	0.8

Source: Bloomberg, Bank of Baroda Research



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