

## MORNING MOCHA

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ECONOMIST

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US non-farm payroll numbers rose more than expected by 372k (est.: 265k), signalling tighter labour market conditions and building the case for aggressive rate hike by Fed. Elsewhere, in China, CPI rose to its 23-month high of 2.5% against est.: 2.4% in Jun'22. On the domestic front, RBI Governor spoke of a "soft landing" for the economy. Further, in his speech he reiterated that inflationary concerns emanated from supply side factors. However, Governor noted that there are 'increasing signs of sectoral price spillovers'. Markets in the current week will track the CPI data of India, US and also GDP print in UK and China.

- Global indices ended mixed as investors shifted their focus towards the upcoming US inflation print and earnings report (scheduled later this week). Shanghai Comp dropped by 0.2%, ahead of major data releases. US indices ended lower by 0.1%. On the other hand, Sensex rose by 0.6% led by strong gains in capital goods and power stocks. However, it is trading lower today in line with other Asian indices.

**Fig 1 – Stock markets**

	7-07-2022	8-07-2022	% change
Dow Jones	31,385	31,338	(0.1)
S & P 500	3,903	3,899	(0.1)
FTSE	7,189	7,196	0.1
Nikkei	26,491	26,517	0.1
Hang Seng	21,644	21,726	0.4
Shanghai Comp	3,364	3,356	(0.2)
Sensex	54,178	54,482	0.6
Nifty	16,133	16,221	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by 0.1% even as US payroll additions rose more than expected. EUR and GBP rose by 0.2% and 0.1% respectively. On the other hand, JPY fell by 0.1%. INR too depreciated by 0.1% as oil prices picked up. It is trading further weaker today in line with other Asian currencies.

**Fig 2 – Currencies**

	7-07-2022	8-07-2022	% change
EUR/USD	1.0160	1.0185	0.2
GBP/USD	1.2023	1.2033	0.1
USD/JPY	136.01	136.10	(0.1)
USD/INR	79.18	79.25	(0.1)
USD/CNY	6.7007	6.6946	0.1

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China (stable), global yields closed higher, UK's 10Y yield rose the most by 11bps followed by US (+9bps). Political turmoil in Britain and energy concerns in Europe kept investors cautious. Further Atlanta Fed



President spoke of 75bps policy rate increase in Jul'22. India's 10Y yield rose by 6bps (7.42%) as oil prices inched up. It is trading higher at 7.45% today, ahead of CPI data.

**Fig 3 – Bond 10Y yield**

	7-07-2022	8-07-2022	change in bps
US	2.99	3.08	9
UK	2.13	2.23	11
Germany	1.32	1.35	3
Japan	0.25	0.24	0
China	2.84	2.84	0
India	7.35	7.42	6

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	7-07-2022	8-07-2022	change in bps
Tbill-91 days	5.1	5.0	(8)
Tbill-182 days	5.7	5.5	(20)
Tbill-364 days	6.1	6.1	(2)
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	7-07-2022	8-07-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.5)	(2.4)	0.1
Reverse repo	2.6	2.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	6-07-2022	7-07-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	16.3	(114.4)	(130.7)
Debt	116.6	(2.8)	(119.4)
Equity	(100.3)	(111.6)	(11.3)
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, Mutual fund data as of 29<sup>th</sup> and 30<sup>th</sup> Jun 2022

- Crude prices rose by 2.3% to US\$ 107/bbl amidst concerns of a tighter supply which outweighed fear of recession. Gold prices rose by 0.1% amidst safe-haven demand.

**Fig 7 – Commodities**

	7-07-2022	8-07-2022	% change
Brent crude (US\$/bbl)	104.7	107.0	2.3
Gold (US\$/ Troy Ounce)	1,740.2	1,742.5	0.1
Copper (US\$/ MT)	7,818.5	7,795.0	(0.3)
Zinc (US\$/MT)	3,183.5	3,166.5	(0.5)
Aluminium (US\$/MT)	2,442.5	2,436.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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