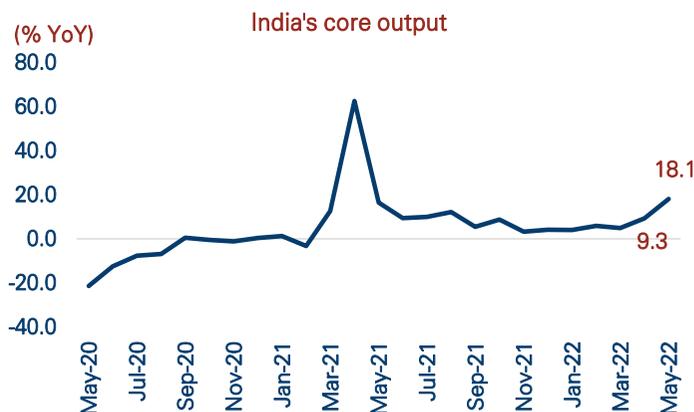


India core sector output increased quite sharply



Source: CEIC, ICICI Bank Research

Global Market roundup				
	Current level	Today	1 mth	1 Year Ago
Equities return (%)				
Dow Jones	30669	1.0	(4.8)	(9.9)
FTSE	7273	1.2	(2.6)	1.2
Nikkei	26643	1.2	0.4	(9.0)
Hong Kong	21234	(0.3)	6.4	(25.3)
Sensex	53033	0.9	0.1	1.0
10Y Bond yield (bps)				
US	3.31	2.9	43.0	173.7
UK	2.47	(11.8)	72.4	171.0
Japan	0.25	(0.2)	0.7	20.3
India	7.55	(3.5)	23.6	150.9
Currencies return (%)				
DXY	104.94	(0.2)	0.7	15.2
EURUSD	1.0443	(0.0)	0.1	(12.9)
GBPUSD	1.2159	(0.2)	(1.3)	(13.1)
USDJPY	134.28	0.3	4.0	21.3
USDINR	78.04	(0.0)	0.8	6.4
Commodity return (%)				
Bloomberg industrial m	175.9	1.1	(1.5)	12.7
Brent	119.3	0.6	4.4	60.3
Gold	1832.9	(0.0)	0.5	1.2

Source: Bloomberg, ICICI Bank Research

Key Developments

- **US real personal spending contracted by 0.4% MoM in May 2022 that was the first contraction of the year raising investor concerns about a possible global recession. At the time of writing, the fed funds futures market is pricing in a terminal rate of 3.5% by March 2023 with it expected to move lower to 3% by December 2023.**
- **Monsoon season of parliament to commence on July 18 and will conclude on August 13.**
- **The Centre's fiscal deficit stood at 12.3% of the full year Budget estimate (BE) in April-May of the current financial year compared with 8.2% in the year ago period.**
- **The Reserve Bank of India in its Financial Stability Report for June said the Indian economy is well on the path of recovery even though inflationary pressures and geopolitical risks warrant careful handling and close monitoring of the situation.**
- **India's external debt rose by 8.2% to USD 620.7bn at the end of March 2022 from a year ago, the Reserve Bank of India said on Thursday. However, the external debt to GDP ratio declined to 19.9% at end of March 2022 from 21.2% at end of March 2021.**
- **Growth in the output of eight core infrastructure sectors scaled a 13-month peak of 18.1% in May from a year earlier, compared with 9.3% in the previous month.**
- **The OPEC+ coalition ratified an oil-production increase that completes the return of supplies halted during the pandemic. However, concerns remains about whether supply will increase with several members facing capacity constraints.**
- **GST Council, in its 47th meeting held on 28th and 29th June 2022, has come up with revisions in GST rates for a series of products.**

Global Market Developments:

- **US:** Initial Jobless Claims fell to 231,000 in Jun-25 from 233,000 in the previous week. PCE Deflator stood at 6.30% YoY in May, same as in the previous month.
- **CH:** Caixin China PMI Mfg rose to 51.70 in June from 48.10 in the previous month.
- **US stock markets closed lower than in previous trading session:** Dow Jones (-1.56%) and S&P 500 (-2.01%) closed in the red.
- **Asian stock markets are trading lower in today's session:** Australia ASX-200 (-1.27%), Hang Seng (+0.91%), Nikkei 225 (-1.10%), Shanghai Composite Index (-0.19%) and Kospi (-1.65%) are trading in the red.
- **US treasuries are trading higher this morning:** The 10 Yr. US yield is trading at 3.168% vs the previous close of 3.207%.

Domestic market developments:

- **The Indian Rupee closed flat against the US dollar in the previous trading session closing at the 78.97 level.**
- **The Indian bond markets closed flat with the yield on the benchmark 10-year sovereign bond closing at the 7.45% in the previous session.**

	Remarks
DXY	The US Dollar index (DXY) index is trading higher at 104.60 level, by 0.11% given the rise in safe haven demand due to market concerns of a global economic slowdown, although the upside will be capped by investors' caution ahead of US Manufacturing PMI data for June. We see a flat trajectory in the near-term.
EUR/USD	The EUR/USD pair is trading lower at 1.0470 level, by 0.11% in response to Germany's retail sales contracting more than expected, along with ECB President Lagarde's comments, stating that chances of lower inflation after a string of rate hikes is unlikely. Investor focus will be on the Euro-zone CPI flash reading for June 2022 that should accelerate further.
GBP/USD	The GBP/USD pair is trading lower at 1.2148 level, by 0.21% after failing to attract buyers despite UK Government plans to cut in Value Added Tax. Meanwhile, UK's GDP growth was in line with market forecasts, although the risk averse sentiment has weighed on the pair. We see more downside in the near-term.
USD/JPY	The USD/JPY pair is trading flat 135.69 level at in response to higher-than-expected unemployment rate and downbeat Tankan Large manufacturing index. Meanwhile, UST yields are trading lower in today's session that has weighed on the pair. Investors' focus will remain on US ISM data.
USD/CNY	The USD/CNY pair is trading lower at 6.6962 level, by 0.05% in response to China's Caixin PMI data exceeding market forecasts. The PBoC has set the reference rate at 6.6863 vs. the previous close of 6.7114.
AUD/USD	The AUD/USD pair is trading lower at 0.6885 level, by 0.23% as a risk averse sentiment weighs in the risk-sensitive AUD despite rising expectations of a 50bps rate hike by RBA. We expect the pair to trade with a downside going forward, with upbeat China PMI data to limit the downside
USD/CAD	The USD/CAD pair is trading higher at 1.2883 level, by 0.09% given a stronger USD and despite a rising WTI in today's session. Meanwhile Canada's GDP growth remained on expected lines and subsequently had a limited impact on the pair.
Indian Equities	Benchmark indices are likely to open lower today amidst subdued Asian equity markets. However, better-than-expected Chinese manufacturing data for June will support the sentiment as investors await results countries' manufacturing activity surveys today. The equity markets will continue to be guided by the recession fears, inflation concerns and rate hikes going ahead.
Indian Rupee	The USD/INR pair is likely to open flat today as the Dollar index strengthened in the early Asian trade. Brent crude oil prices saw some moderation on the back of uncertainty over future OPEC+ output and recession fears. However, any sharp movement is unlikely in the pair due to expected RBI interventions.
India G-Sec	Government bond prices are likely to open steady ahead of the weekly debt sale today worth INR 320bn. The retracement seen in the UST yields and Brent prices may support the prices in today's session.
Oil (Brent) (USD/bbl.)	Brent oil prices declined nearly 4% in the last session and trading lower amid concern of economic slowdown. Additionally, uncertainty over future OPEC+ output and signs of weakening US gasoline demand also weighed negatively. The OPEC+ approved to raise output in August at a previously approved pace of 648k bpd. Brent crude oil prices are trading USD 109.50/bbl.
Gold (USD/oz.)	Gold prices trading lower and were on track for a third straight weekly decline, as rising US Treasury yields weighed on demand for zero yield bullion. Gold is trading at USD 1806/oz.

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