The Month That Was - Snippets for July 2022

The Uneasy End of the Easy Money Era
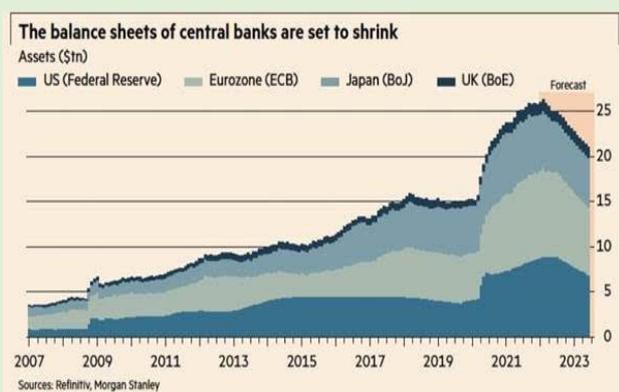

Central banks are shrinking their balance sheets as inflation rises, closing a long chapter of economic stimulus. But fund managers say they have no clue how 'quantitative tightening' will play out. Since 2008, fund managers in stocks, bonds and everything in between have known that by their side, the US Federal Reserve has been buying debt as part of its programme of economic support that kicked in after the financial crisis. When Covid struck, the Fed souped up this so-called quantitative easing scheme to rescue markets from the brink of disaster, helping to fuel a huge rally in everything from government bonds to crypto tokens. Now, though, soaring inflation has cornered policymakers into aggressively raising interest rates. In turn, this has bumped them into cutting back their vast stashes of assets — a process that the Fed began early last month.
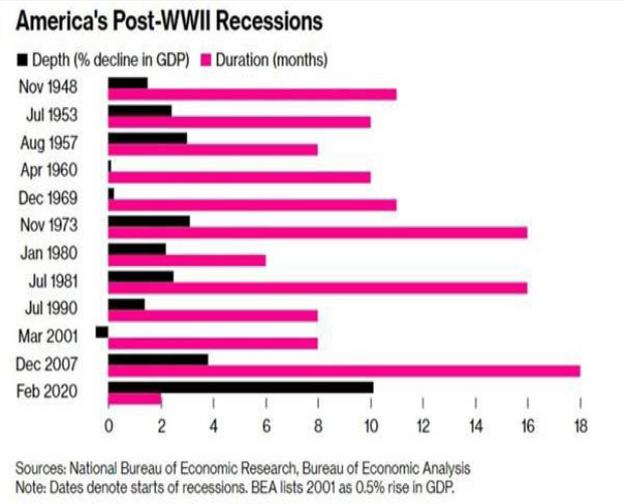
Equity Outflows This Quarter
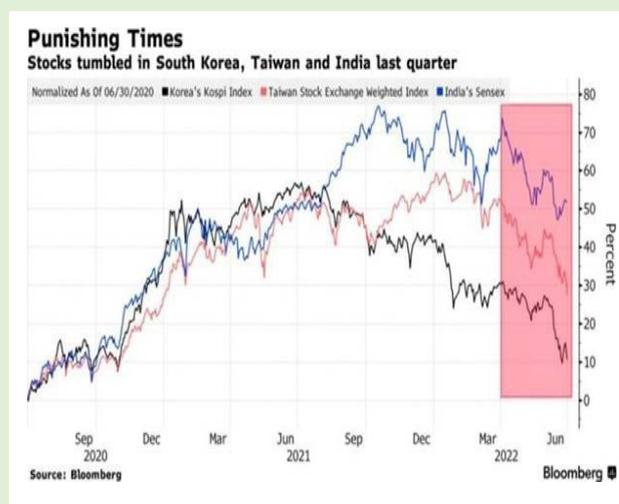
The total amount of equity outflows for the quarter is an aggregate of those from India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand. Foreigners withdrew a net $17 billion from Taiwan stocks, easily surpassing the outflows seen in any of the three previous periods. Indian shares saw $15 billion of sales, and Korea reported $9.6 billion, also exceeding the earlier periods. "The reason foreign investors are selling shares in those markets is not because something has gone wrong in them, instead, it's because the Federal Reserve and other central banks are tightening their monetary policy," said Mark Matthews, head of research for Asia Pacific at Bank Julius Baer in Singapore.

Long, Moderate and Painful - What Next US Recession May Look Like

America's Post-WWII Recessions

The US lacks the built up of leverage that preceded past deep downturns. But Fed may not ride to rescue, given its inflation mission. Many observers expect any decline to be a lot less wrenching than the 2007-09 Great Financial Crisis and the back-to-back downturns seen in the 1980s, when inflation was last this high. The economy is simply not as far out of whack as it was in those earlier periods, they say. While the recession may be moderate, it could end up lasting longer than the abbreviated, eight-month contractions of 1990-91 and 2001. That's because elevated inflation may hold the Federal Reserve back from rushing to reverse the downturn. "The good news is there's a limit to how severe it's going to be," said Nomura Securities senior US economist Robert Dent. "The bad news is it's going to be prolonged." The former New York Fed analyst sees a roughly 2% contraction that begins in the fourth quarter and lasts through next year.
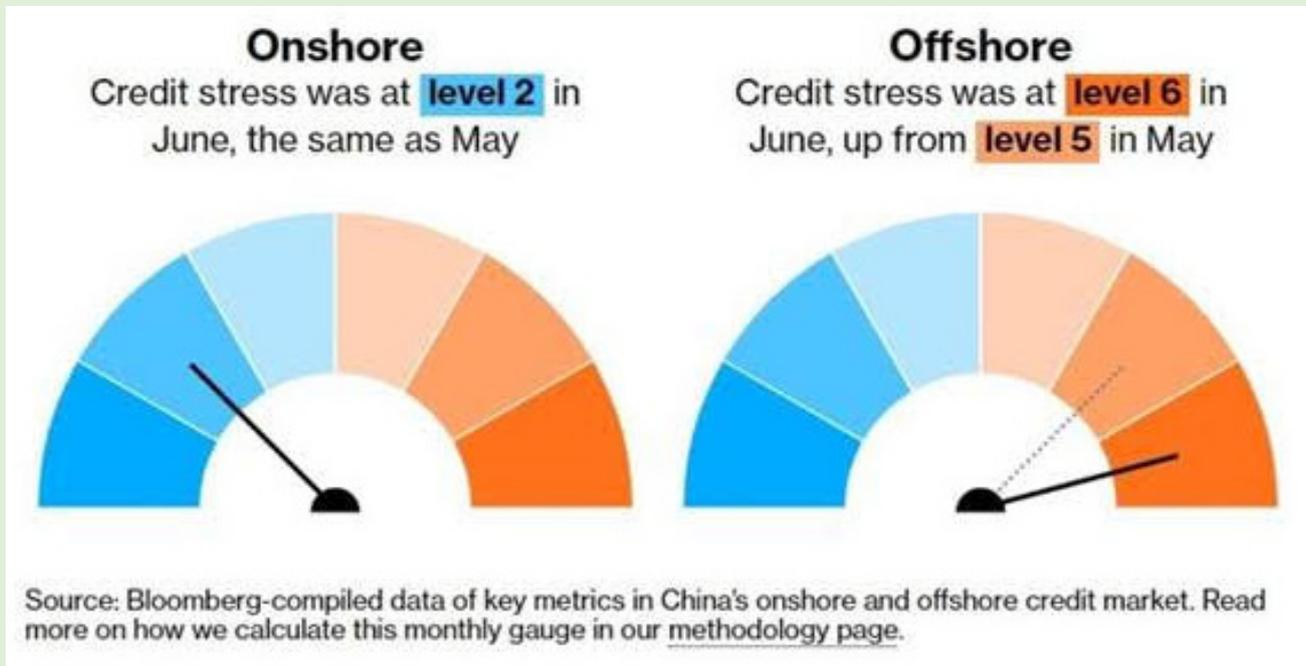
The Era of Expensive Oil Is Here to Stay

Global Oil Demand
Barrels per day

Source: International Energy Agency
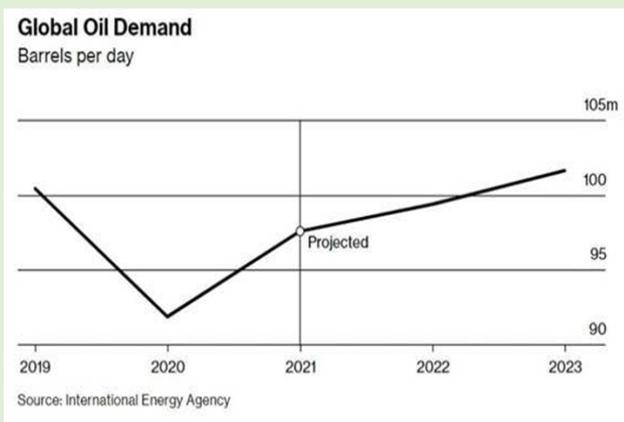
Even as prices drop to a three-month low, the world is still struggling to produce all the oil it needs—and the impact on global economics and politics will be profound. In fact, the underlying dynamics of oil supply and demand point to a prolonged period of higher prices, lasting months if not years. Demand for fuel is still growing as the world picks up where it left off before Covid-19 lockdowns. There's a shortage of refineries to turn oil into fuel. And the world's largest oil producers are hitting up against the limits of what they can drill. All this as Vladimir Putin's war suppresses exports from Russia. "The world has never witnessed such a major energy crisis in terms of its depth and its complexity," says IEA.

Commodity Prices Continue to Decline

Global commodity prices are currently on an eight straight week of declines. Last time this happened was 24 years ago.

LENGTH OF WEEKLY LOSING STREAKS
Bloomberg Commodity Spot Index

July 2022	8
Nov 2015	7
Jan. 2015	7
Nov 2001	7
Jan 1998	8
July 1997	8
June 1991	11

SOURCE: Data based on current index and former versions of index

China's Credit Market Is Moving into Fresh Phase of Distress

Onshore
Credit stress was at **level 2** in June, the same as May

Offshore
Credit stress was at **level 6** in June, up from **level 5** in May

Source: Bloomberg-compiled data of key metrics in China's onshore and offshore credit market. Read more on how we calculate this monthly gauge in our underlined methodology page.

One by one, the pillars of strength in China's property bond market are crumbling. The selloff that began with China Evergrande Group and decimated nearly all of the country's weaker developers is now threatening giants like China Vanke Co. that until now week seemed largely insulated from the debt crisis sweeping the industry. It's the latest phase in a cycle of credit turmoil that threatens to spread beyond China's debt-laden property sector as President Xi Jinping's strict Covid Zero policy hammers the world's second-largest economy. In China's $870 billion dollar bond market, stress returned to its highest level in June, Bloomberg's China Credit Tracker shows. Even in the more resilient local market where official defaults have been rare this year, cash-strapped borrowers have imposed countless repayment delays on investors.

Economists See Waning Urgency for India's RBI to Effect Large Hikes

Citi, Barclays expect 35 basis point move at August meeting. Goldman lowers average inflation forecast by 10 basis points. Economists have started paring expectations on the size of India's future interest-rate hikes, with half-point moves seen dispensable, after consumer prices rose less than expected in June. The predictions follow the consumer price print of July 12, that came in at 7%, a tad slower than expected. RBI Governor, who led the MPC in raising rates by 90 basis points this year including a 50 basis-point action in June, has signalled that any further tightening would be geared to ensure the economy doesn't slow down massively. Das's signal is based on expectations that inflation will be moderate from the second-half of this fiscal year.
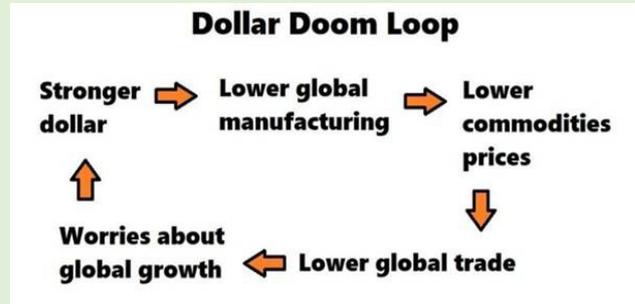
This Could Be the Start of a Dollar 'Doom Loop' Like No Other
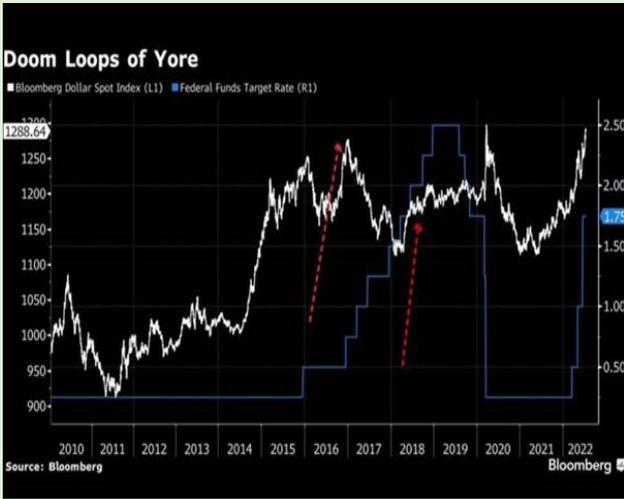
A reverse currency war beckons. The dollar's gain is the world's pain — and based on its current trajectory, the world may be in for a whole lot more discomfort.

Concerns over global growth have recently sent the Bloomberg Dollar Index to the strongest level on record, with the greenback hitting multi-decade highs against currencies like the euro and the yen. But the move risks becoming a self-reinforcing feedback loop given that the vast majority of cross-border trade is still denominated in dollars, and a stronger US currency has historically translated into a broad hit to the world economy. Against the backdrop of higher-than-expected inflation and still-elevated commodities prices, the concern is that we're in for a dollar 'doom loop' like never before.

Recent dollar strength is at odds with predictions made earlier this year that the invasion of Ukraine and subsequent sanctions could mark a turning point for the US dollar. And in the US, the dollar doom loop could end up doing some of the Fed's work for it when it comes to fighting inflation.

RBI's Futile Attempts to Shore Up Rupee
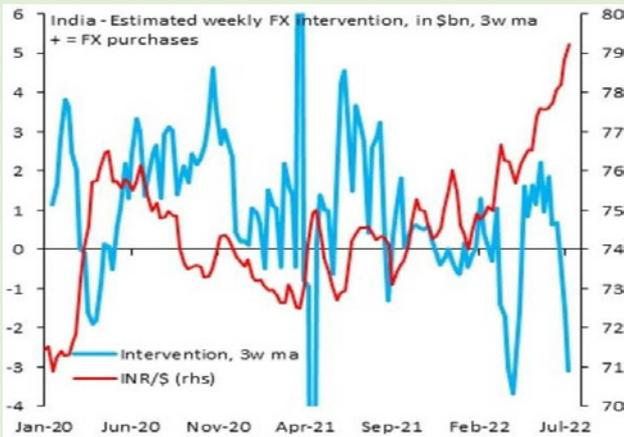
The RBI is spending $3 billion per week defending the rupee. This is futile. The current account deficit is headed to 3.5% and the real exchange rate hasn't depreciated since late 2019 (although oil is up 60%!). A weaker rupee is unavoidable, according to analysts.
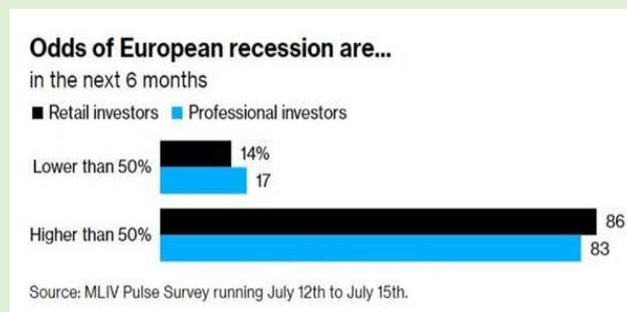
All 13 Agriculture Markets Non- Commercial Fund History
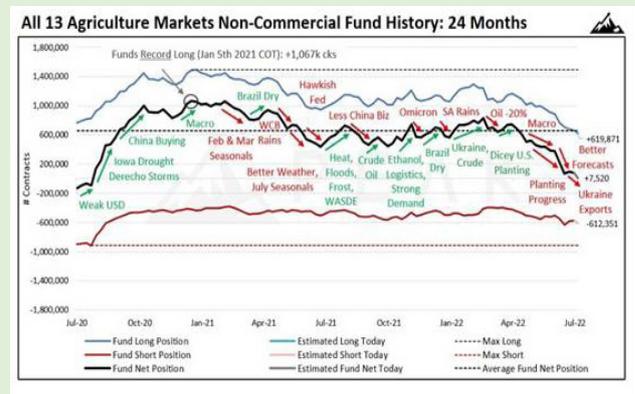
Source : Peak Research

All 13 Non-Commercial category traders are flat across the agriculture complex for the first time since August 2020. There's been an incredible hedge fund liquidation event over the past three months - 740k contracts, $35 billion.

Odds of European Recession in the Next Six Months Are High

Odds of European recession are...
in the next 6 months
■ Retail investors ■ Professional investors

Lower than 50%   14%   17

Higher than 50%   86   83

Source: MLIV Pulse Survey running July 12th to July 15th.

The European Central Bank's battle to restore its credibility with financial markets just got a whole lot harder. After a week marked by a fresh crisis in Rome, MLIV readers warn Italian debt risks hitting the danger zone once more -- just as a near-imminent recession intensifies the epic plunge in the euro to once-unthinkable levels. Just 16% of 792 respondents in the latest Pulse survey say Europe will likely manage to dodge an economic downturn over the next six months, with 69% betting that the single currency will slide to $0.9 rather than claw back to $1.1. To make matters worse, the political storm in the euro area's third-largest economy may spur a new era of market fragmentation.

Compiled by Shri. Kunal Thakkar

Update on Cotton Acreage (As on 14.07.2022)

(Area in Lakh Ha)

Sr. No.	State	Normal Area (DES)*	Normal Area as on Date (2017-2021)	Area Covered (SDA)					
				2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Andhra Pradesh	6.00	1.940	2.040	1.140	2.735	1.551	1.420	2.854
2	Telangana	19.26	15.162	15.574	17.986	20.383	13.532	11.128	12.780
3	Gujarat	25.18	18.307	20.528	18.433	20.334	21.428	11.441	19.900
4	Haryana	6.81	6.844	6.505	6.880	7.370	6.760	6.650	6.560
5	Karnataka	6.82	2.673	4.599	3.301	3.225	2.170	2.260	2.410
6	Madhya Pradesh	6.11	5.392	4.760	5.100	6.011	5.731	5.240	4.880
7	Maharashtra	42.81	33.831	38.630	33.894	39.832	33.220	30.847	31.360
8	Odisha	1.56	1.090	1.265	1.148	1.241	1.280	0.730	1.050
9	Punjab	2.69	2.876	2.480	2.541	3.000	3.000	2.840	3.000
10	Rajasthan	6.50	5.687	6.136	5.855	6.581	6.360	4.740	4.900
11	Tamil Nadu	1.48	0.038	0.022	0.003	0.003	0.034	0.033	0.050
12	Others	0.35	0.240	0.260	0.299	0.170	0.271	0.172	0.286
	All India	**125.57**	**94.066**	**102.799**	**96.578**	**110.885**	**95.337**	**77.501**	**90.030**

* Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare, Krishi Bhavan, New Delhi
Source : Directorate of Cotton Development, Nagpur

India Must Adopt World Standards for Cotton Productivity, says MoT

An interactive meeting of all stakeholders of Cotton Textile Value Chain was held on Sunday, the 24th July 2022 in New Delhi in the presence of Shri. Piyush Goyal, Hon'ble Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution & Textiles, Shri. Narendra Singh Tomar, Hon'ble Minister of Agriculture & Farmers' Welfare and Smt. Darshana B. Jardosh, Hon'ble Minister of State for Textiles & Railways to discuss ways to enhance cotton productivity. The Hon'ble Ministers took the initiatives to convene this meeting. On behalf of Cotton Association of India, Shri. Bhupendra Singh Rajpal, Vice President and Shri. Vinay N. Kotak, Additional Vice-President attended this meeting.

At the meeting, all stakeholders were urged to make concerted efforts and contribute towards promoting research in improving cotton productivity, farmers' training and branding of Indian cotton. The Government exhorted the need for a mission mode approach from the private sector to boost cotton productivity for realisation of higher income by farmers and assured that it will extend full support to the joint efforts and work on the vision of the Hon'ble Prime Minister, Shri. Narendra Modi – Farm to Fibre; Fibre to Factory; Factory to Fashion; Fashion to Foreign.

Cotton Association of India is keen to join hands in farmers' training, improvement in quality and branding. CAI is determined to contribute its mite in fulfilling the dreams of our Hon'ble Prime Minister, Shri Narendra Modiji.

All India Weather Summary and Forecast

Weather Warning during next 5 days

26 July (Day 1): ♦ Heavy rainfall at isolated places very likely over Rajasthan, Himachal Pradesh, Uttarakhand, Odisha, Gujarat region, Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya, Arunachal Pradesh, Nagaland, Manipur, Mizoram & Tripura, Tamilnadu, Puducherry & Karaikal and Telangana.

27 July (Day 2): ♦ Heavy rainfall at isolated places very likely over East Rajasthan, Himachal Pradesh, Uttarakhand, Punjab, Haryana, Chandigarh & Delhi, Bihar, Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya, Arunachal Pradesh, Nagaland, Manipur, Mizoram & Tripura, Tamilnadu, Puducherry & Karaikal, South Interior Karnataka and Telangana

28 July (Day 3): ♦ Heavy to very heavy rainfall at isolated places likely over Himachal Pradesh, Uttarakhand, Arunachal Pradesh and Assam & Meghalaya and heavy rainfall at isolated places likely over Jammu, Kashmir, Ladakh, Gilgit, Baltistan & Muzaffarabad, Punjab, Haryana, Chandigarh & Delhi, Uttar Pradesh, Bihar, Jharkhand, Sub-Himalayan West Bengal & Sikkim, Nagaland, Manipur, Mizoram & Tripura, Tamilnadu, Puducherry & Karaikal and South Interior Karnataka.

29 July (Day 4): ♦ Heavy to very heavy rainfall at isolated places likely over Himachal Pradesh, Uttarakhand, Arunachal Pradesh and Assam & Meghalaya and heavy rainfall at isolated places over Jammu, Kashmir, Ladakh, Gilgit, Baltistan & Muzaffarabad, Punjab, Haryana, Chandigarh & Delhi, Uttar Pradesh, Bihar, Jharkhand, West Bengal & Sikkim, Nagaland, Manipur, Mizoram & Tripura, Tamilnadu, Puducherry & Karaikal and South Interior Karnataka.

30 July (Day 5): ♦ Heavy to very heavy rainfall at isolated places likely over Himachal Pradesh, Uttarakhand & Punjab and heavy rainfall at isolated places over Haryana, Chandigarh, Uttar Pradesh, Bihar, Sub-Himalayan West Bengal & Sikkim, Nagaland, Manipur, Mizoram & Tripura, Arunachal Pradesh and Assam & Meghalaya and Odisha.

5 Day Rainfall Forecast (MORNING)
26-July-2022

Met-Sub-Division	26-Jul Today	27Jul Wed	28Jul Thu	29Jul Fri	30Jul Sat
1. Andaman & Nicobar Islands	FWS	FWS	FWS	FWS	FWS
2. Arunachal Pradesh	FWS	WS	WS	WS	WS
3. Assam & Meghalaya	FWS	WS	WS	WS	WS
4. N. M. M. & T.	FWS	WS	WS	WS	WS
5. S.H. West Bengal & Sikkim	WS	WS	WS	WS	WS
6. Gangetic West Bengal	FWS	FWS	FWS	FWS	FWS
7. Odisha	FWS	SCT	SCT	SCT	FWS
8. Jharkhand	FWS	FWS	WS	WS	WS
9. Bihar	SCT	FWS	FWS	WS	WS
10. East Uttar Pradesh	SCT	FWS	FWS	WS	WS
11. West Uttar Pradesh	SCT	FWS	WS	WS	WS
12. Uttarakhand	WS	WS	WS	WS	WS
13. Haryana, Chd & Delhi	FWS	WS	WS	WS	WS
14. Punjab	FWS	WS	WS	WS	WS
15. Himachal Pradesh	WS	WS	WS	WS	WS
16. J & K and Ladakh	FWS	FWS	FWS	FWS	FWS
17. West Rajsthan	FWS	FWS	SCT	ISOL	ISOL
18. East Rajasthan	FWS	FWS	SCT	SCT	ISOL
19. West Madhya Pradesh	FWS	FWS	FWS	SCT	SCT
20. East Madhya Pradesh	WS	FWS	FWS	FWS	FWS
21. Gujarat Region	WS	FWS	SCT	SCT	ISOL
22. Saurashtra & Kutch	FWS	FWS	SCT	SCT	ISOL
23. Konkan & Goa	WS	FWS	FWS	FWS	SCT
24. Madhya Maharashtra	SCT	SCT	SCT	SCT	SCT
25. Marathawada	SCT	SCT	SCT	SCT	SCT
26. Vidharbha	FWS	FWS	FWS	FWS	SCT
27. Chhattisgarh	FWS	FWS	FWS	FWS	FWS
28. Coastal A. P. & Yanam	SCT	SCT	SCT	SCT	SCT
29. Telangana	WS	WS	FWS	FWS	SCT
30. Rayalaseema	SCT	SCT	ISOL	ISOL	ISOL
31. T.N.,Puducherry & Karaikal	FWS	FWS	SCT	SCT	SCT
32. Coastal Karnataka	WS	WS	WS	WS	WS
33. North Interior Karnataka	FWS	FWS	FWS	FWS	SCT
34. South Interior Karnataka	FWS	FWS	FWS	FWS	SCT
35. Kerala & Mahe	SCT	SCT	SCT	FWS	FWS
36. Lakshadweep	SCT	SCT	SCT	SCT	SCT

% Station Reporting Rainfall

% Stations	Category	% Stations	Category
76-100	Widespread (WS/Most Places)	26-50	Scattered (SCT/ A Few Places)
51-75	Fairly Widespred (FWS/ Many Places)	1-25	Isolated (ISOL)
No Rain	Dry		

UPCOUNTRY SPOT RATES

(Rs./Qtl)

Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	Spot Rate (Upcountry) 2021-22 Crop July 2022					
								18th	19th	20th	21st	22nd	23rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	16675 (59300)	16675 (59300)	16591 (59000)	16450 (58500)	16450 (58500)	16450 (58500)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	16872 (60000)	16872 (60000)	16788 (59700)	16647 (59200)	16647 (59200)	16647 (59200)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	13779 (49000)	13779 (49000)	13638 (48500)	13779 (49000)	13779 (49000)	13919 (49500)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	16450 (58500)	16450 (58500)	16310 (58000)	16310 (58000)	16310 (58000)	16310 (58000)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	18419 (65500)	18419 (65500)	18419 (65500)	18419 (65500)	18419 (65500)	18419 (65500)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	21737 (77300)	21934 (78000)	21934 (78000)	21990 (78200)	22074 (78500)	22158 (78800)
7	M/M(P)/ SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	19403 (69000)	19403 (69000)	19403 (69000)	19262 (68500)	19262 (68500)	19262 (68500)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	21962 (78100)	22158 (78800)	22158 (78800)	22215 (79000)	22299 (79300)	22383 (79600)
9	M/M(P)/ SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	19684 (70000)	19684 (70000)	19543 (69500)	19403 (69000)	19403 (69000)	19262 (68500)
10	M/M(P)/ SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	21231 (75500)	21231 (75500)	21231 (75500)	21090 (75000)	21090 (75000)	21090 (75000)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	23621 (84000)	23621 (84000)	23340 (83000)	23115 (82200)	23115 (82200)	22974 (81700)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	23536 (83700)	23536 (83700)	23396 (83200)	23340 (83000)	23340 (83000)	23340 (83000)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	23593 (83900)	23593 (83900)	23452 (83400)	23396 (83200)	23396 (83200)	23396 (83200)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	23874 (84900)	23874 (84900)	23621 (84000)	23480 (83500)	23480 (83500)	23480 (83500)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	23255 (82700)	23452 (83400)	23340 (83000)	23340 (83000)	23340 (83000)	23340 (83000)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	24099 (85700)	23902 (85000)	23761 (84500)	23902 (85000)	24043 (85500)	24127 (85800)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	24071 (85600)	23958 (85200)	23818 (84700)	23958 (85200)	24099 (85700)	24183 (86000)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	24380 (86700)	24183 (86000)	23902 (85000)	24043 (85500)	24183 (86000)	24324 (86500)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	24802 (88200)	24602 (87500)	24464 (87000)	24324 (86500)	24324 (86500)	24324 (86500)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	24942 (88700)	24746 (88000)	24605 (87500)	24464 (87000)	24464 (87000)	24464 (87000)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	25505 (90700)	25224 (89700)	25027 (89000)	25027 (89000)	25027 (89000)	25027 (89000)
22	SA/TL/ K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	25730 (91500)	25449 (90500)	25252 (89800)	25252 (89800)	25252 (89800)	25252 (89800)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	27136 (96500)	27136 (96500)	26995 (96000)	26855 (95500)	26855 (95500)	26855 (95500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	27979 (99500)	27979 (99500)	27839 (99000)	27698 (98500)	27698 (98500)	27698 (98500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	28120 (100000)	28120 (100000)	27979 (99500)	27839 (99000)	27839 (99000)	27839 (99000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	28964 (103000)	28964 (103000)	28823 (102500)	28682 (102000)	28682 (102000)	28682 (102000)

(Note: Figures in bracket indicate prices in Rs./Candy)