

MORNING MOCHA

10 February 2022

ECONOMIST
Aditi Gupta

US CPI data due later in the week remains a key watchable for the markets. Global equities rose sharply supported by strong earnings report. Crude oil prices continue to inch up amidst a revival in demand. In India, investors keenly await RBI's policy guidance. We expect RBI to begin policy normalisation by hiking reverse repo rate by 25bps. Growth estimate for FY22 is also expected to be revised lower.

- Equity indices closed higher tracking better earning results and easing tensions in Ukraine. Hang Seng rose the most by 2.1%, followed by S&P 500 which rose by 1.5%. Investors are also awaiting cues from the inflation print in the US, to assess whether it is transitory or of a durable nature. Sensex and Nifty rose by 1.1% each, with banking, auto, and IT stocks gaining the most.

Fig 1 – Stock markets

	08-02-2022	09-02-2022	% change
Dow Jones	35,463	35,768	0.9
S & P 500	4,522	4,587	1.5
FTSE	7,567	7,643	1.0
Nikkei	27,285	27,580	1.1
Hang Seng	24,329	24,830	2.1
Shanghai Comp	3,453	3,480	0.8
Sensex	57,809	58,466	1.1
Nifty	17,267	17,464	1.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY fell by 0.2% ahead of US CPI data. EUR rose by 0.1% as Germany's exports rose unexpectedly in Dec'21. Amongst other currencies, while GBP depreciated by 0.1%, JPY closed stable. INR fell by 0.2% as oil prices remained firm above ~US\$ 90/bbl. Asian currencies are trading higher today.

Fig 2 – Currencies

	08-02-2022	09-02-2022	% change
EUR/USD	1.1415	1.1425	0.1
GBP/USD	1.3543	1.3535	(0.1)
USD/JPY	115.55	115.52	0
USD/INR	74.75	74.81	(0.1)
USD/CNY	6.3665	6.3627	0.1

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China will remain closed this week

- Except China (higher) and India (stable), global yields closed lower. Investors await US CPI data. US 2Y yield also inched up to its highest since Feb'20 at 1.35%. India's 10Y yield closed stable as investors are anticipating some measures from RBI to control the yield curve.



Fig 3 – Bond 10Y yield

	08-02-2022	09-02-2022	% change
US	1.96	1.94	(2)
UK	1.49	1.43	(6)
Germany	0.27	0.21	(5)
Japan	0.22	0.21	(1)
China	2.72	2.73	1
India	6.81	6.81	0

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China will remain closed this week

- Tbill yields rose across the board. In the Tbill auction of Rs 260bn, cut off yield rose a tad by 1bps for 182 and 364-days Tbill. Even the 2-day VRRR of Rs 1tn went for reversal.

Fig 4 – Short term rates

	08-02-2022	09-02-2022	% change
Tbill-91 days	3.85	3.88	3
Tbill-182 days	4.35	4.39	4
Tbill-365 days	4.59	4.65	6
G-Sec 2Y	5.11	5.09	(3)
AAACorp Spread 3Y	37.00	37.00	0
SONIA int rate benchmark	0.45	0.44	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	08-02-2022	09-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.0)	(6.5)	(0.5)
Reverse repo*	6.3	6.3	0
Repo*	0	0	0

Source: Bloomberg, Bank of Baroda Research

Fig 6 – Capital market flows

	07-02-2022	08-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	150.3	(49.3)	(199.6)
Debt	20.2	(58.7)	(78.8)
Equity	130.1	9.3	(120.8)
Mutual funds (Rs cr)	(182.6)	(986.2)	(803.5)
Debt	330.2	(1,282.9)	(1,613.1)
Equity	(512.9)	296.7	809.6

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 3 Feb 2022 and 4 Feb 2022

- International oil prices rose by 0.8% (US\$ 92/bbl) as crude inventories fell unexpectedly and demand rose to a record-high. Gold prices firmed up by 0.4%, amidst weakness in US dollar.

Fig 7 – Commodities

	08-02-2022	09-02-2022	% change
Brent crude (US\$/bbl)	90.8	91.6	0.8
Gold (US\$/ Troy Ounce)	1,825.9	1,833.4	0.4
Copper (US\$/ MT)	9,809.3	10,103.0	3.0
Zinc (US\$/MT)	3,593.8	3,643.8	1.4
Aluminum (US\$/MT)	2,590.0	2,590.0	0

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com