

MORNING MOCHA

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ECONOMIST
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Following new set of sanctions announced by the US on Russia, EU has also announced sanctions on Friday. These include bans on import of coal, wood and chemicals from Russia. This is the first energy ban imposed by EU since the war started and pushed oil prices up by 2.2%. Further, markets await US CPI print for Mar'22 due tomorrow. Inflation is expected to shoot to 8.4% from 7.9% in Feb'22. Even in China both PPI (8.3% in Mar'22 versus est.: 7.9%) and CPI (1.5% versus 1.2%) have inched up.

- Except S&P, other global stocks ended higher. Investors continued to monitor global developments with respect to Central Bank comments on the pace of monetary policy tightening. Amongst other indices, FTSE surged by 1.6%. Sensex (0.7%) too ended in green with the measures taken by MPC in line with market expectations. However, it is trading lower today in line with other Asian stocks; with China's PPI and CPI rising more than anticipated for Mar'22.

Fig 1 – Stock markets

	7-04-2022	8-04-2022	% change
Dow Jones	34,584	34,721	0.4
S & P 500	4,500	4,488	(0.3)
FTSE	7,552	7,670	1.6
Nikkei	26,889	26,986	0.4
Hang Seng	21,809	21,872	0.3
Shanghai Comp	3,237	3,252	0.5
Sensex	59,035	59,447	0.7
Nifty	17,640	17,784	0.8

Source: Bloomberg, Bank of Baroda Research

- Except EUR (flat) and INR (higher), other global currencies closed lower. DXY continued to rise to a 2-year high, ahead of US CPI print. Markets will also closely monitor key central bank rate decisions scheduled later this week (ECB, RBNZ, BoC). JPY dropped lower by 0.3%. INR appreciated by 0.1% amidst RBI maintaining status quo on rates.

Fig 2 – Currencies

	7-04-2022	8-04-2022	% change
EUR/USD	1.0879	1.0877	0
GBP/USD	1.3075	1.3025	(0.4)
USD/JPY	123.95	124.34	(0.3)
USD/INR	75.96	75.91	0.1
USD/CNY	6.3604	6.3650	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Barring Japan (flat), other global 10Y yields closed higher. US 10Y yield rose by 4bps, as investors await CPI print for Mar'22 this week. US CPI is expected to have accelerated sharply. India's 10Y yield jumped 20bps to close at 7.12%,



following RBI's policy announcement. Normalisation of surplus liquidity and introductions of SDF were the key highlights.

Fig 3 – Bond 10Y yield

	7-04-2022	8-04-2022	change in bps
US	2.66	2.70	4
UK	1.73	1.75	2
Germany	0.68	0.71	3
Japan	0.23	0.23	0
China	2.74	2.76	2
India	6.91	7.12	20

Source: Bloomberg, Bank of Baroda Research

- T-bill rates on 91-day (+12bps) and 364-day (+15bps) paper rose sharply, following RBI's policy announcement wherein SDF was introduced at 3.75%.

Fig 4 – Short term rates

	7-04-2022	8-04-2022	% change
Tbill-91 days	3.84	3.96	12
Tbill-182 days	4.24	4.25	1
Tbill-364 days	4.53	4.68	15
G-Sec 2Y	5.05	5.16	11
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.30	0.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	7-04-2022	8-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.7)	(7.0)	0.7
Reverse repo	7.8	0.5	(7.3)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	6-04-2022	7-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(20.7)	(623.4)	(602.7)
Debt	166.2	(30.4)	(196.6)
Equity	(186.9)	(593.0)	(406.1)
Mutual funds (Rs cr)	4,355.1	339.3	(4,015.8)
Debt	2,730.0	584.8	(2,145.2)
Equity	1,625.1	(245.5)	(1,870.6)

Source: Bloomberg, Bank of Baroda Research | Data for Mutual Funds pertains to 4 and 5 Apr 2022

- Crude prices rose by 2.2% to US\$103/bbl as EU approved set of new sanctions on Russia, including a ban on Russian coal imports. Gold too rose by 0.8%, ahead of US CPI print and tensions surrounding continuity of the war.

Fig 7 – Commodities

	7-04-2022	8-04-2022	% change
Brent crude (US\$/bbl)	100.6	102.8	2.2
Gold (US\$/ Troy Ounce)	1,931.9	1,947.5	0.8
Copper (US\$/ MT)	10,314.5	10,304.8	(0.1)
Zinc (US\$/MT)	4,203.8	4,310.0	2.5
Aluminum (US\$/MT)	3,385.0	3,374.5	(0.3)

Source: Bloomberg, Bank of Baroda Research



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