

## MORNING MOCHA

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ECONOMIST  
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Retail inflation in both US (8.5% versus 8.4%) and India (6.95% versus 6.4%) was reported to be higher than expected in Mar'22. Inflation in US has confirmed that Fed is likely to hike rates aggressively. Even RBI is expected to begin rate hike soon as CPI touched 1.5 year high. Oil prices are further inching up on news of easing Covid-19 restrictions in China, and OPEC's concerns over supply gap. Growth in India's IIP also remained muted at 1.7% Feb'22 (est.: 2.7%) so far.

- Except China and Hong Kong, stocks markets in other major economies ended lower. Higher than expected US CPI data bolstered the case of aggressive rate hikes by Fed. Nikkei declined the most by 1.8%. Shanghai Comp rose by 1.5% amidst expectations of further stimulus to support growth. Sensex fell by 0.7%, dragged by metal, real estate and oil and gas stocks. However it is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	11-04-2022	12-04-2022	% change
Dow Jones	34,308	34,220	(0.3)
S & P 500	4,413	4,397	(0.3)
FTSE	7,618	7,577	(0.5)
Nikkei	26,822	26,335	(1.8)
Hang Seng	21,208	21,319	0.5
Shanghai Comp	3,167	3,213	1.5
Sensex	58,965	58,576	(0.7)
Nifty	17,675	17,530	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Except CNY (higher) and JPY (flat), other global currencies closed lower. DXY rose by 0.4% to its highest since May'20 supported by hawkish comments from Fed Governor Brainard. EUR depreciated by 0.5%, as investors remained cautious ahead of ECB meeting and uncertainty around French elections. INR depreciated by 0.2% as oil prices moved up again. It is likely to open even lower today in line with other Asian currencies.

**Fig 2 – Currencies**

	11-04-2022	12-04-2022	% change
EUR/USD	1.0884	1.0828	(0.5)
GBP/USD	1.3030	1.3001	(0.2)
USD/JPY	125.37	125.38	0
USD/INR	75.96	76.14	(0.2)
USD/CNY	6.3700	6.3657	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While yields fell in US and Europe, they closed flat in Japan and China. US 10Y yield fell the most by 6bps followed by UK (4bps) and Germany's (3bps) yield. US CPI print confirmed that Fed will most likely



hike rate by 50bps in its next meeting. India's 10Y yield rose by 4bps to 7.19% following RBI's hawkish policy.

**Fig 3 – Bond 10Y yield**

	11-04-2022	12-04-2022	change in bps
US	2.78	2.72	(6)
UK	1.85	1.80	(4)
Germany	0.82	0.79	(3)
Japan	0.24	0.25	0
China	2.77	2.77	0
India	7.15	7.19	4

Source: Bloomberg, Bank of Baroda Research

- T-bill rates inched up, following RBI's auction of Rs 388bn. Cut-off yield for 91-day paper was at 3.98%, for 182-day it was 4.4% and for 364-day it was 4.8%.

**Fig 4 – Short term rates**

	11-04-2022	12-04-2022	% change
Tbill-91 days	3.94	3.97	3
Tbill-182 days	4.39	4.41	2
Tbill-364 days	4.75	4.78	3
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	11-04-2022	12-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.0)	(7.1)	(0.1)
Reverse repo	5.9	5.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	8-04-2022	11-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(58.3)	(234.1)	(175.9)
Debt	(6.1)	(41.5)	(35.4)
Equity	(52.2)	(192.7)	(140.5)
Mutual funds (Rs cr)	1,509.7	(1,522.7)	(3,032.4)
Debt	582.1	(1,560.5)	(2,142.5)
Equity	927.7	37.8	(889.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data pertains to 7 and 8 Apr 2022

- Crude prices jumped sharply by 6.3% to US\$ 105/bbl. Easing of lockdown restrictions in China and OPEC's warning that it will be impossible to replace 7mn bbl/day output if sanctions on Russian oil are placed, led the jump.

**Fig 7 – Commodities**

	11-04-2022	12-04-2022	% change
Brent crude (US\$/bbl)	98.5	104.6	6.3
Gold (US\$/ Troy Ounce)	1,953.5	1,966.8	0.7
Copper (US\$/ MT)	10,181.8	10,326.3	1.4
Zinc (US\$/MT)	4,333.0	4,416.8	1.9
Aluminum (US\$/MT)	3,248.0	3,267.0	0.6

Source: Bloomberg, Bank of Baroda Research



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