

MORNING MOCHA

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ECONOMIST
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Globally, markets remain on edge due to heightened tensions between Ukraine and Russia. International oil prices are currently highest since Oct'14. Safe-haven demand has lent support to gold and US dollar (DXY is up by 0.3%).

- Global indices ended in red on the back of escalated concerns over the ongoing Ukraine-Russia dispute. Amongst other indices, Sensex (3%) ended in deep red led by subdued global cues. Auto, banking stocks along with oil and gas stocks declined the most. Nikkei and Hang Seng declined by 2.2% and 1.4% respectively. In the morning session, Asian stocks are trading mixed tracking global developments.

Fig 1 – Stock markets

	11-02-2022	14-02-2022	% change
Dow Jones	34,738	34,566	(0.5)
S & P 500	4,419	4,402	(0.4)
FTSE	7,661	7,532	(1.7)
Nikkei	27,696	27,080	(2.2)
Hang Seng	24,907	24,557	(1.4)
Shanghai Comp	3,463	3,429	(1.0)
Sensex	58,153	56,406	(3.0)
Nifty	17,375	16,843	(3.1)

Source: Bloomberg, Bank of Baroda Research

- Led by mounting geopolitical tensions between Ukraine and Russia, along with hawkish comments from Fed official, James Bullard, on faster pace of rate hike, strengthened the DXY by 0.3%. INR depreciated by 0.3%, led by surge in crude oil prices. Asian currencies are trading mixed today.

Fig 2 – Currencies

	11-02-2022	14-02-2022	% change
EUR/USD	1.1350	1.1307	(0.4)
GBP/USD	1.3564	1.3528	(0.3)
USD/JPY	115.42	115.54	(0.1)
USD/INR	75.38	75.60	(0.3)
USD/CNY	6.3546	6.3573	0

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While 10Y yields in US (5bps) and UK (4bps) rose the most, yields in India (3bps), Germany and Japan (1bps each) fell. Investors are tracking ongoing geo-political tensions in Eastern Europe, and comments from Fed official making a case for aggressive rate hike. India's yields reacted to speculation that centre may not hold auction in the remaining part of FY22.



Fig 3 – Bond 10Y yield

	11-02-2022	14-02-2022	% change
US	1.94	1.99	5
UK	1.55	1.59	4
Germany	0.30	0.28	(1)
Japan	0.23	0.22	(1)
China	2.79	2.80	1
India	6.70	6.67	(3)

Source: Bloomberg, Bank of Baroda Research

- Pressure on short-end yields continues to ease, with yield on 182-day paper falling the most (9bps). Markets await auction due on 16 Feb 2022, for further cues.

Fig 4 – Short term rates

	11-02-2022	14-01-2022	% change
Tbill-91 days	3.72	3.71	(1)
Tbill-182 days	4.24	4.15	(9)
Tbill-365 days	4.45	4.45	0
G-Sec 2Y	4.88	4.84	(4)
AAACorp Spread 3Y	37.00	37.00	0
SONIA int rate benchmark	0.45	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	10-02-2022	11-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.8)	(6.6)	0.2
Reverse repo*	4.1	0.4	(3.7)
Repo*	0	0	0

Source: Bloomberg, Bank of Baroda Research *Variable rate outstanding

Fig 6 – Capital market flows

	10-02-2022	11-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(230.6)	39.3	269.9
Debt	(4.7)	(7.3)	(2.6)
Equity	(225.9)	46.6	272.5
Mutual funds (Rs cr)	(1,317.6)	1,594.3	2,911.9
Debt	(26.2)	925.3	951.5
Equity	(1,291.4)	669.0	1,960.4

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 7 Feb 2022 and 8 Feb 2022

- International oil prices rose by 2.2% (US\$ 97/bbl) and gold prices inched up by 0.7%, amidst rising Russia-Ukraine tensions.

Fig 7 – Commodities

	11-02-2022	14-02-2022	% change
Brent crude (US\$/bbl)	94.4	96.5	2.2
Gold (US\$/ Troy Ounce)	1,858.8	1,871.2	0.7
Copper (US\$/ MT)	9,894.3	9,984.5	0.9
Zinc (US\$/MT)	3,621.0	3,573.0	(1.3)
Aluminum (US\$/MT)	2,600.0	2,630.0	1.2

Source: Bloomberg, Bank of Baroda Research



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