

## MORNING MOCHA

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Global markets monitored progress between Russia-Ukraine diplomacy talks. Investors are also eyeing Russia's payment of US\$ 117mn on two dollar-denominated sovereign bonds, which is due. Fed's policy is also scheduled and market is anticipating 25bps rate hike-first since CY18. It will also watch for cues on future trajectory of US inflation and growth. Commodity prices went for a slight correction with oil prices settling below US\$ 100/bbl. Germany's Zew indicator showed aggravated concerns over war. US PPI data also rose to 10.1% in Feb'22.

- Global indices ended mixed as investors' monitored ongoing diplomacy talks between Russia and Ukraine, rising Covid cases in China and awaiting US Fed and BoJ's policy decision. US stocks rose the most. Asian stocks closed lower with Hang Seng falling the most by 5.7% (lowest close since Feb'16). Sensex fell by 1.3%, dragged down by metal and oil and gas stocks. It is trading higher today in line with other Asian stocks.

**Fig 1 – Stock markets**

	14-03-2022	15-03-2022	Change, %
Dow Jones	32,945	33,544	1.8
S & P 500	4,173	4,262	2.1
FTSE	7,193	7,176	(0.2)
Nikkei	25,308	25,346	0.2
Hang Seng	19,532	18,415	(5.7)
Shanghai Comp	3,224	3,064	(5.0)
Sensex	56,486	55,777	(1.3)
Nifty	16,871	16,663	(1.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY rose by 0.1% as markets are expecting 25bps rate hike by US fed in its upcoming policy. GBP rose by 0.3%, supported by better macro print (weekly earning data). INR depreciated by 0.1% amidst concerns of higher domestic inflation and widening trade deficit. Most Asian currencies are trading lower today.

**Fig 2 – Currencies**

	14-03-2022	15-03-2022	% change
EUR/USD	1.0940	1.0956	0.1
GBP/USD	1.3002	1.3042	0.3
USD/JPY	118.19	118.30	(0.1)
USD/INR	76.57	76.61	(0.1)
USD/CNY	6.3657	6.3706	(0.1)

Source: Bloomberg, Bank of Baroda Research

- US 10Y yield rose by 1bps ahead of Fed policy. Investors are also awaiting cues from Fed's inflation and growth projections. Germany's 10Y yield fell by 4bps as Zew expectation index fell more than expected on concerns of Russia-



Ukraine crisis. India's 10Y also fell by 4bps (6.82%) on account of lower oil prices.

**Fig 3 – Bond 10Y yield**

	14-03-2022	15-03-2022	% change
US	2.13	2.14	1
UK	1.59	1.58	(2)
Germany	0.37	0.33	(4)
Japan	0.20	0.21	1
China	2.77	2.82	5
India	6.86	6.82	(4)

Source: Bloomberg, Bank of Baroda Research

- Short-end yields broadly closed lower ahead of auction results.

**Fig 4 – Short term rates**

	14-03-2022	15-03-2022	% change
Tbill-91 days	3.75	3.75	0
Tbill-182 days	4.27	4.19	(8)
Tbill-364 days	4.63	4.60	(3)
G-Sec 2Y	4.99	4.96	(3)
SONIA int rate benchmark	0.44	0.44	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	14-03-2022	15-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.8)	(6.6)	0.2
Reverse repo	4.0	4.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	11-03-2022	14-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(224.8)	148.4	373.3
Debt	(52.2)	21.6	73.8
Equity	(172.6)	126.9	299.5
Mutual funds (Rs cr)	1,916.1	7.6	(1,908.4)
Debt	1,107.9	115.3	(992.6)
Equity	808.2	(107.7)	(915.8)

Source: Bloomberg, Bank of Baroda Research

- Global oil prices eased by 6.5% (US\$ 99.9/bbl) monitoring diplomacy talks between Russia and Ukraine. Gold prices too continued to slide on expectation of rate hike by Fed.

**Fig 7 – Commodities**

	14-03-2022	15-03-2022	% change
Brent crude (US\$/bbl)	106.9	99.9	(6.5)
Gold (US\$/ Troy Ounce)	1,950.9	1,917.9	(1.7)
Copper (US\$/ MT)	9,894.5	9,857.3	(0.4)
Zinc (US\$/MT)	3,788.5	3,781.0	(0.2)
Aluminum (US\$/MT)	3,319.5	3,277.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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