

MORNING MOCHA

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ECONOMIST
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Global markets tracked developments over the Russia-Ukraine tensions and minutes of the Federal Reserve meeting. FOMC minutes highlighted that while members agreed on the possibility of rate hikes, their decision will be contingent on incoming data. Macro data showed that US economic recovery continued at a robust pace as retail sales and industrial production rose at a faster than expected pace.

- Global equity markets closed mixed tracking developments surrounding Russia and Ukraine and macro data prints in US and UK. Dow Jones fell by 0.2%, tracking Fed minutes. FTSE ended lower by 0.1%. Asian stocks on the other hand ended higher. Domestic equities ended lower, dragged down by metal and banking stocks. Asian markets are trading mixed today.

Fig 1 – Stock markets

	15-02-2022	16-02-2022	% change
Dow Jones	34,989	34,934	(0.2)
S & P 500	4,471	4,475	0.1
FTSE	7,609	7,604	(0.1)
Nikkei	26,865	27,460	2.2
Hang Seng	24,356	24,719	1.5
Shanghai Comp	3,446	3,466	0.6
Sensex	58,142	57,997	(0.3)
Nifty	17,352	17,322	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher. DXY fell by 0.3% as Fed minutes were less hawkish than expected. EUR rose by 0.1% as Euro Area's industrial production jumped in Dec'21. GBP rose by 0.4% as higher than expected inflation in UK raised expectations of further rate hikes. INR appreciated by 0.3% even as oil prices edged up. Asian currencies are trading higher today.

Fig 2 – Currencies

	15-02-2022	16-02-2022	% change
EUR/USD	1.1359	1.1373	0.1
GBP/USD	1.3538	1.3586	0.4
USD/JPY	115.61	115.52	0.1
USD/INR	75.34	75.08	0.3
USD/CNY	6.3393	6.3372	0

Source: Bloomberg, Bank of Baroda Research

- Except Japan (flat) and India (higher), global yields closed lower, monitoring developments surrounding Russia and Ukraine. UK's 10Y yield fell by 6bps even as its inflation inched up to a 30-year high at 5.5% (est.: 5.4%). US 10Y yield fell a tad by 1bps, despite improvement in macro prints (advance retail sales, industrial production). India's 10Y yield rose by 1bps.



Fig 3 – Bond 10Y yield

	15-02-2022	16-02-2022	% change
US	2.04	2.04	(1)
UK	1.58	1.52	(6)
Germany	0.31	0.28	(3)
Japan	0.22	0.22	0
China	2.80	2.79	(1)
India	6.67	6.69	1

Source: Bloomberg, Bank of Baroda Research

- Yields on 91 and 364-day TBill ended lower. TBill auction results showed cut off yield fell across the board compared with previous week's auction (91-days by 21bps, 182-days by 24bps and 364-days by 18bps).

Fig 4 – Short term rates

	15-02-2022	16-02-2022	% change
Tbill-91 days	3.69	3.68	(2)
Tbill-182 days	4.15	4.14	0
Tbill-364 days	4.43	4.47	(2)
G-Sec 2Y	4.85	4.85	1
AAACorp Spread 3Y	37.00	39.63	0
SONIA int rate benchmark	0.44	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	14-02-2022	15-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.6)	(7.0)	(0.4)
Reverse repo	5.4	6.8	1.4
Repo	0	0	0

Source: Bloomberg, Bank of Baroda Research

Fig 6 – Capital market flows

	14-02-2022	15-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(374.3)	(218.5)	155.8
Debt	41.9	(34.6)	(76.5)
Equity	(416.2)	(183.9)	232.3
Mutual funds (Rs cr)	2,674.2	1,425.5	(1,248.7)
Debt	567.0	459.8	(107.2)
Equity	2,107.2	965.7	(1,141.6)

Source: Bloomberg, Bank of Baroda Research

- International oil prices rose by 1.6% to (US\$ 95/bbl) as data showed that US oil demand remains at a record-high. Gold prices too gained by 0.9%.

Fig 7 – Commodities

	15-02-2022	16-02-2022	% change
Brent crude (US\$/bbl)	93.3	94.8	1.6
Gold (US\$/ Troy Ounce)	1,853.6	1,869.8	0.9
Copper (US\$/ MT)	10,009.5	10,034.8	0.3
Zinc (US\$/MT)	3,582.5	3,596.5	0.4
Aluminum (US\$/MT)	3,208.0	3,256.0	1.5

Source: Bloomberg, Bank of Baroda Research



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