

MORNING MOCHA

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ECONOMIST
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US Fed raised policy rate for the first time since CY18 by 25bps. It also raised its inflation projections for CY22 and 23 respectively. Further, the FOMC dot plot revealed that policy rate would be between 1.75-2% by end of CY22, signalling more hawkish approach. Thus, US 10Y yield inched up. Oil prices went for a correction (US\$ 98/bbl), which supported domestic yields.

- Global indices closed higher, led by Asian stocks. Hang Seng rose the most by 9.1% (highest since 30 Oct'08). Even Shanghai Comp rose by 3.5% amidst reports of support by the regulator for IPOs abroad. S & P 500 rose by 2.2%, as Fed policy hike remained in line with market expectations. Sensex rose by 1.9%, supported by real estate and metal stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	15-03-2022	16-03-2022	Change, %
Dow Jones	33,544	34,063	1.5
S & P 500	4,262	4,358	2.2
FTSE	7,176	7,292	1.6
Nikkei	25,346	25,762	1.6
Hang Seng	18,415	20,088	9.1
Shanghai Comp	3,064	3,171	3.5
Sensex	55,777	56,817	1.9
Nifty	16,663	16,975	1.9

Source: Bloomberg, Bank of Baroda Research

- Except JPY (lower-with progress of Russia-Ukraine peace talks), global currencies closed higher. DXY fell by 0.5% as markets have already priced in 25bps rate hike by Fed. Further, muted retail sales print in the US aggravated concerns. GBP rose the most followed by EUR. INR rose by 0.5%, supported by correction in oil price. Asian currencies are trading mixed today.

Fig 2 – Currencies

	15-03-2022	16-03-2022	% change
EUR/USD	1.0956	1.1035	0.7
GBP/USD	1.3042	1.3149	0.8
USD/JPY	118.30	118.73	(0.4)
USD/INR	76.61	76.27	0.5
USD/CNY	6.3706	6.3526	0.3

Source: Bloomberg, Bank of Baroda Research

- Except China and India, global yields closed higher. US 10Y yield rose by 4bps as Fed delivers its first rate hike of 25bps since CY18. Further, it also raised its inflation projections to 4.3% (2.6% earlier) and 2.7% (2.3% earlier) in CY22 and 23 respectively. China's 10Y yield closed lower on account of expectation of



monetary stimulus from PBOC. India's 10Y fell by 3bps (6.79%), supported by lower oil prices and on account of short covering before Fed's decision.

Fig 3 – Bond 10Y yield

	15-03-2022	16-03-2022	% change
US	2.14	2.18	4
UK	1.58	1.63	5
Germany	0.33	0.39	6
Japan	0.21	0.21	1
China	2.82	2.80	(2)
India	6.82	6.79	(3)

Source: Bloomberg, Bank of Baroda Research

- Short-end yields broadly closed higher. This is despite drop in cut off yield in the current auction (91-days: -4bps, 182-days: -5bps and 364-days: -6bps).

Fig 4 – Short term rates

	14-03-2022	15-03-2022	% change
Tbill-91 days	3.75	3.76	1
Tbill-182 days	4.19	4.32	13
Tbill-364 days	4.60	4.62	2
G-Sec 2Y	4.96	4.98	2
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	15-03-2022	16-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.6)	(5.4)	1.2
Reverse repo	4.0	4.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-03-2022	15-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	148.4	(169.8)	(318.3)
Debt	21.6	(25.4)	(47.0)
Equity	126.9	(144.4)	(271.3)
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 1.9% (US\$ 98/bbl) supported by built up in US inventory.

Fig 7 – Commodities

	14-03-2022	15-03-2022	% change
Brent crude (US\$/bbl)	99.9	98.0	(1.9)
Gold (US\$/ Troy Ounce)	1,917.9	1,927.3	0.5
Copper (US\$/ MT)	9,857.3	10,056.0	2.0
Zinc (US\$/MT)	3,781.0	3,807.0	0.7
Aluminum (US\$/MT)	3,277.5	3,258.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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