

## MORNING MOCHA

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Global equity and currencies broadly closed lower as war tensions escalated. Gold also rose to its 1-month high on safe haven demand and as a hedge against inflationary pressures. Crude prices rose by 1.3% (US\$ 113/bbl) as outage in Libya added to further supply woes. Elsewhere in China, retail sales print was less than expected. PBOC talked of sector specific stimulus. Domestic yields fell on expectation of OMO announcement.

- Barring S&P (flat), other global markets ended in red. Markets in India, Japan and China fell the most. Dow also closed lower. Investors reacted to China's macro prints (retail sales below expectation and industrial output slowing). Rising yields in the US also impacted equity inflows. Sensex fell by 2%, led by decline in tech, real estate and banking stocks. It is trading further lower today.

**Fig 1 – Stock markets**

	14-04-2022	18-04-2022	% change
Dow Jones	34,451	34,412	(0.1)
S & P 500	4,393	4,392	0
FTSE	7,581	7,616	0.5
Nikkei	27,172	26,800	(1.4)
Hang Seng	21,374	21,518	0.7
Shanghai Comp	3,226	3,196	(0.9)
Sensex	58,339	57,167	(2.0)
Nifty	17,476	17,174	(1.7)

Source: Bloomberg, Bank of Baroda Research | Note Markets in UK and Hong Kong were closed on 18.4.2022

- Except CNY (higher), other global currencies closed lower. DXY rose by 0.3% to remain at its highest since Mar'20. The rally was supported by rise in US treasury yields, as investors expect steep rate hikes by Fed. JPY fell the most, as there remains divergence between Fed and BoJ policy stance. INR fell by 0.1%. Asian currencies are trading higher today as PBOC vouches for providing financial support to the economy.

**Fig 2 – Currencies**

	14-04-2022	18-04-2022	% change
EUR/USD	1.0828	1.0782	(0.4)
GBP/USD	1.3071	1.3019	(0.4)
USD/JPY	125.88	126.99	(0.9)
USD/INR	76.18	76.26	(0.1)
USD/CNY	6.3784	6.3671	0.2

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. China's 10Y yield rose the most by 5bps supported by better than expected GDP print. US 10Y yield rose by 3bps as investors are expecting 50bps rate hike in the next policy meeting. Germany's 10Y yield



closed stable as investors remained cautious ahead of PPI data. India's 10Y yield fell by 6bps, amidst news reports that RBI might resort to OMOs.

**Fig 3 – Bond 10Y yield**

	14-04-2022	18-04-2022	change in bps
US	2.83	2.85	3
UK	1.80	1.89	9
Germany	0.84	0.84	0
Japan	0.23	0.25	1
China	2.76	2.81	5
India	7.22	7.15	(6)

Source: Bloomberg, Bank of Baroda Research | Note Markets in UK was closed on 18.4.2022

**Fig 4 – Short term rates**

	13-04-2022	18-04-2022	% change
Tbill-91 days	3.97	4.01	4
Tbill-182 days	4.43	4.38	(5)
Tbill-364 days	4.76	4.62	(14)
G-Sec 2Y	5.23	5.40	18
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.29	0.29	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	17-04-2022	18-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.3)	(7.0)	0.3
Reverse repo	5.9	5.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note SDF on 17.04.2022 amounts to Rs 2.7tn

**Fig 6 – Capital market flows**

	12-04-2022	13-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(356.6)	(195.3)	161.2
Debt	(7.2)	(69.3)	(62.2)
Equity	(349.4)	(126.0)	223.4
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 | Mutual fund data refers to 7 and 8 Apr 2022

- Crude prices rose by 1.3% to US\$ 113/bbl, as fresh supply concerns emerged due to outages in Libya (force majeure declared at certain oil fields). Gold prices rose by 0.3% to its 1-month high, supported by inflationary concerns.

**Fig 7 – Commodities**

	14-04-2022	18-04-2022	% change
Brent crude (US\$/bbl)	111.7	113.2	1.3
Gold (US\$/ Troy Ounce)	1,973.7	1,978.9	0.3
Copper (US\$/ MT)	10,284.0	10,297.5	0.1
Zinc (US\$/MT)	4,525.0	4,475.0	(1.1)
Aluminum (US\$/MT)	3,236.0	3,285.5	1.5

Source: Bloomberg, Bank of Baroda Research



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