

MORNING MOCHA

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ECONOMIST
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Global markets shifted their focus towards Central Bank meetings scheduled later this week. DXY dropped by 0.8%. Global equity markets rebounded and ended higher. China's manufacturing PMI dropped marginally lower. In India, Sensex continued to climb upwards ahead of the Union Budget.

- Barring FTSE (flat), other global indices ended higher. Investors turned their focus towards the upcoming Central Bank meetings. Amongst other indices, Sensex (1.4%) surged the most as Economic Survey pegged growth at 8%-8.5% in FY22. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	31-01-2022	28-01-2022	% change
Dow Jones	35,132	34,725	1.2
S & P 500	4,516	4,432	1.9
FTSE	7,464	7,466	0
Nikkei	27,002	26,717	1.1
Hang Seng	23,802	23,550	1.1
Shanghai Comp	3,361	3,394	(1.0)
Sensex	58,014	57,200	1.4
Nifty	17,340	17,102	1.4

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China were closed on 31 Jan 2022

- Global currencies closed higher. After rising for 5-straight sessions, DXY fell by 0.8% as focus shifted to BoE and ECB. EUR rose the most by 0.8%. INR rose by 0.6% even as oil prices surged. It is trading further higher today in line with other Asian currencies.

Fig 2 – Currencies

	31-01-2022	28-01-2022	% change
EUR/USD	1.1235	1.1151	0.8
GBP/USD	1.3447	1.3401	0.3
USD/JPY	115.11	115.26	0.1
USD/INR	74.62	75.04	0.6
USD/CNY	6.3612	6.3682	0.1

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China were closed on 31 Jan 2022

- Global 10Y yields closed mixed. UK and Germany's 10Y yield the most by 6bps each ahead of the policy decisions. Notably, analysts expect Bank of England to hike policy rate to 0.5% (current 0.25%). India's 10Y yield fell the most by 7bps (6.68%) due to short covering ahead of Budget and last minute gilt switch by the government to reduce repayments and adjust the yield curve.



Fig 3 – Bond 10Y yield

	31-01-2022	28-01-2022	% change
US	1.78	1.77	1
UK	1.30	1.24	6
Germany	0.01	(0.05)	6
Japan	0.18	0.17	1
China	2.71	2.73	(2)
India	6.68	6.75	(7)

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China were closed on 31 Jan 2022

- Short end yields closed mixed. 365-day T-bill yield rose by 1bps, awaiting details of the Union Budget regarding fresh issuances for FY23.

Fig 4 – Short term rates

	31-01-2022	28-01-2022	% change
Tbill-91 days	3.71	3.70	1
Tbill-182 days	4.15	4.16	(1)
Tbill-365 days	4.51	4.50	1
G-Sec 2Y	4.81	4.83	(2)
AAACorp Spread 3Y	5.89	5.98	(9)
SONIA int rate benchmark	32.04	32.04	0
US SOFR	42.59	42.59	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	31-01-2022	28-01-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.2)	(5.3)	(0.9)
Reverse repo*	3.7	0.5	3.2
Repo*	0	0	0

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

Fig 6 – Capital market flows

	28-01-2022	27-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(552.3)	(734.3)	181.9
Debt	122.9	0.2	122.7
Equity	(675.2)	(734.4)	59.3
Mutual funds (Rs cr)	3,387.0	1,436.7	1,950.3
Debt	78.5	311.2	(232.8)
Equity	3,308.5	1,125.5	2,183.1

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 25 Jan 2022 and 24 Jan 2022

- International crude oil prices rose by another 1.3% (US\$ 91/bbl) as geopolitical tensions in Eastern Europe continued to impact investor sentiments. Markets also await OPEC+ meeting (2 Feb 2022). Gold prices too inched up 0.3%, despite increased probability of rate hike by Fed in Mar'22.

Fig 7 – Commodities

	31-01-2022	28-01-2022	% change
Brent crude (US\$/bbl)	91.2	90.0	1.3
Gold (US\$/ Troy Ounce)	1,797.2	1,791.5	0.3
Copper (US\$/ MT)	9,578	9,556	0.2
Zinc (US\$/MT)	3,606	3,635	(0.8)
Aluminum (US\$/MT)	2,495	2,505	(0.4)

Source: Bloomberg, Bank of Baroda Research



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