

## MORNING MOCHA

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Global yields rose sharply led by US as Fed officials signalled of a 75bps rate hike amidst aggravating inflationary concerns. DXY also rose to its highest since Mar'20. IMF slashed global growth projection by 0.8% to 3.6% in CY22. For India as well, it revised its forecast downward by 0.8% to 8.2% in FY23. Thus, crude prices fell by 5% to US\$ 107/bbl. Elsewhere, PBOC kept 1Y and 5Y LPR unchanged against market expectation of rate cut.

- Global equities ended mixed. Investors monitored risks to the growth outlook as both IMF and World Bank slashed global growth forecasts. Stock markets in the US rose on the back of better than expected earnings reports. Dow Jones and S&P 500 rose by 1.5% and 1.6% respectively. On the other hand, Hang Seng fell by 2.3%. Sensex ended lower by 1.2% dragged down by power, real estate and technology stocks. However it is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

|               | 18-04-2022 | 19-04-2022 | % change |
|---------------|------------|------------|----------|
| Dow Jones     | 34,412     | 34,911     | 1.5      |
| S & P 500     | 4,392      | 4,462      | 1.6      |
| FTSE          | 7,616      | 7,601      | (0.2)    |
| Nikkei        | 26,800     | 26,985     | 0.7      |
| Hang Seng     | 21,518     | 21,028     | (2.3)    |
| Shanghai Comp | 3,196      | 3,194      | (0.0)    |
| Sensex        | 57,167     | 56,463     | (1.2)    |
| Nifty         | 17,174     | 16,959     | (1.3)    |

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

- Except EUR (higher), other global currencies closed lower. DXY rose by 0.2% to its highest since Mar'20 amidst a jump in US 10Y yields. On the other hand, JPY fell sharply by 1.5% to a 20-year low weighed down by policy divergence between BoJ and Fed. INR too depreciated by 0.3% led by a stronger dollar and FPI outflows. However, it is trading higher today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

|         | 18-04-2022 | 19-04-2022 | % change |
|---------|------------|------------|----------|
| EUR/USD | 1.0782     | 1.0788     | 0.1      |
| GBP/USD | 1.3019     | 1.2998     | (0.2)    |
| USD/JPY | 126.99     | 128.91     | (1.5)    |
| USD/INR | 76.26      | 76.51      | (0.3)    |
| USD/CNY | 6.3671     | 6.3935     | (0.4)    |

Source: Bloomberg, Bank of Baroda Research

- Global yields closed higher followed by comments from FOMC member James Bullard of a 75bps rate hike. Even minutes of the central bank of Australia also



signalled that rate hike may be forthcoming after more than a decade. US and UK's 10Y yield rose the most by 8bps each. India's 10Y yield closed broadly stable at 7.15%.

**Fig 3 – Bond 10Y yield**

|         | 18-04-2022 | 19-04-2022 | change in bps |
|---------|------------|------------|---------------|
| US      | 2.85       | 2.94       | 8             |
| UK      | 1.89       | 1.97       | 8             |
| Germany | 0.84       | 0.91       | 7             |
| Japan   | 0.25       | 0.25       | 0             |
| China   | 2.81       | 2.82       | 1             |
| India   | 7.15       | 7.15       | 0             |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 18-04-2022 | 19-04-2022 | % change |
|--------------------------|------------|------------|----------|
| Tbill-91 days            | 4.01       | 3.96       | (5)      |
| Tbill-182 days           | 4.38       | 4.26       | (12)     |
| Tbill-364 days           | 4.62       | 4.77       | 15       |
| G-Sec 2Y                 | 5.40       | 5.43       | 2        |
| 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                             | 18-04-2022 | 19-04-2022 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (7.0)      | (6.9)      | 0.1            |
| Reverse repo                      | 5.9        | 5.4        | (0.5)          |
| Repo                              | 0          | 0          | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 13-04-2022 | 18-04-2022 | Change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | (195.3)    | (806.6)    | (611.2)                |
| Debt                 | (69.3)     | 42.3       | 111.6                  |
| Equity               | (126.0)    | (848.9)    | (722.9)                |
| Mutual funds (Rs cr) | 2,168.7    | 1,440.4    | (728.3)                |
| Debt                 | 441.5      | 224.5      | (217.0)                |
| Equity               | 1,727.2    | 1,215.9    | (511.3)                |

Source: Bloomberg, Bank of Baroda Research

- Crude prices fell by 5.2% to US\$ 107/bbl, as IMF raised concerns about muted global growth amidst ongoing geopolitical tension. Gold prices retreated from its one month high on expectation of an aggressive rate hike cycle by US Fed.

**Fig 7 – Commodities**

|                         | 18-04-2022 | 19-04-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl)  | 113.2      | 107.3      | (5.2)    |
| Gold (US\$/ Troy Ounce) | 1,978.9    | 1,950.1    | (1.5)    |
| Copper (US\$/ MT)       | 10,297.5   | 10,281.5   | (0.2)    |
| Zinc (US\$/MT)          | 4,475.0    | 4,563.1    | 2.0      |
| Aluminum (US\$/MT)      | 3,285.5    | 3,261.0    | (0.7)    |

Source: Bloomberg, Bank of Baroda Research



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