

MORNING MOCHA

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US President Joe Biden is meeting European and NATO leaders to announce fresh sanctions on Russia. However, this will have an impact on already elevated commodity prices and global inflation. Oil prices spiked further due to damage to the CPC pipeline. Domestically, prices of CNG and cooking gas pipeline have been hiked.

- Global markets closed mixed. Stocks in US and UK dropped amidst a further spike in oil prices. Dow Jones fell the most by 1.3%. On the other hand, Nikkei rose sharply by 3% to a 2-month high as a weaker Yen buoyed stocks of export-oriented sectors. Shanghai Comp too rose by 0.3% on hopes of further stimulus. Sensex dipped by 0.5%. Banking and auto stocks were the worst hit.

Fig 1 – Stock markets

	22-03-2022	23-03-2022	Change, %
Dow Jones	34,807	34,359	(1.3)
S & P 500	4,512	4,456	(1.2)
FTSE	7,477	7,461	(0.2)
Nikkei	27,224	28,040	3.0
Hang Seng	21,889	22,154	1.2
Shanghai Comp	3,260	3,271	0.3
Sensex	57,989	57,685	(0.5)
Nifty	17,316	17,246	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower against the dollar. DXY rose by 0.1% on safe-haven demand, amidst expectation of further sanctions on Russia. JPY weakened by 0.3% and languished near a 7-year low. GBP too depreciated by 0.4% as UK's inflation surged to a 30-year high. INR fell by 0.2% as oil prices surged. It is likely to open weaker today also, in line with other Asian currencies.

Fig 2 – Currencies

	22-03-2022	23-03-2022	% change
EUR/USD	1.1029	1.1004	(0.2)
GBP/USD	1.3262	1.3205	(0.4)
USD/JPY	120.80	121.15	(0.3)
USD/INR	76.19	76.30	(0.2)
USD/CNY	6.3663	6.3724	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. 10Y yields of US (9bps), UK (8bps) and Germany (4bps) fell. Investors are monitoring US President's Europe tour and his proposal of further sanctions on Russia. India's 10Y yield closed flat, despite jump in international oil prices.



Fig 3 – Bond 10Y yield

	22-03-2022	23-03-2022	% change
US	2.38	2.29	(9)
UK	1.71	1.63	(8)
Germany	0.51	0.47	(4)
Japan	0.22	0.23	1
China	2.84	2.83	0
India	6.83	6.83	0

Source: Bloomberg, Bank of Baroda Research

- In RBI's latest T-bill auction, yield on 91-day paper rose by 3bps (3.8% versus 3.77% last week). On the other hand, in the auction, yields on 182-day paper (4.32% versus 4.33%) and 364-day (4.62% versus 4.65%) paper fell.

Fig 4 – Short term rates

	22-03-2022	23-03-2022	% change
Tbill-91 days	3.76	3.78	2
Tbill-182 days	4.27	4.30	3
Tbill-364 days	4.62	4.58	(4)
G-Sec 2Y	5.00	5.00	0
SONIA int rate benchmark	0.69	0.69	(0)
US SOFR	0.29	0.28	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-03-2022	23-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.3)	(5.3)	0
Reverse repo	4.1	5.3	1.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-03-2022	22-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(335.7)	157.2	492.9
Debt	40.3	62.3	22.0
Equity	(376.0)	94.9	470.9
Mutual funds (Rs cr)	77.3	1,488.1	1,410.9
Debt	997.2	1,533.2	536.0
Equity	(920.0)	(45.0)	874.9

Source: Bloomberg, Bank of Baroda Research | Mutual fund data refers to 17 and 21 Mar 2022

- Crude prices jumped by 5.3% to US\$ 122/bbl following damage to Russia-Kazakhstan's Caspian Pipeline Consortium, due to storm and bad weather. This has added to supply woes. Gold prices also rose by 1.2% owing to its safe-haven appeal.

Fig 7 – Commodities

	22-03-2022	23-03-2022	% change
Brent crude (US\$/bbl)	115.5	121.6	5.3
Gold (US\$/ Troy Ounce)	1,921.7	1,943.9	1.2
Copper (US\$/ MT)	10,259.5	10,443.0	1.8
Zinc (US\$/MT)	3,903.3	4,141.0	6.1
Aluminum (US\$/MT)	3,504.5	3,653.0	4.2

Source: Bloomberg, Bank of Baroda Research



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