

MORNING MOCHA

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ECONOMIST
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US' initial jobless claims fell to 187k (est.: 212k) as of week ending 19 Mar 2022, from 216 in the previous week. This is lowest level since Sep'69, and has firmed up the view that Fed might hike rates more aggressively than earlier anticipated. Investors are also tracking EU and G-7 summits for cues on fresh sanctions on Russia. Oil prices eased below US\$120/bbl led by speculations of increased supply. Domestically, retail prices of petrol and diesel have been hiked again today.

- Global markets closed mixed as investors remain watchful of key meetings of NATO, EU and G7 leaders. S&P 500 rose the most by 1.4%, as labour market condition in the US remained buoyant. Hang Seng fell by 0.9%, led by technology stocks. Sensex fell by 0.2%, dragged down by banking stocks.

Fig 1 – Stock markets

	23-03-2022	24-03-2022	Change, %
Dow Jones	34,359	34,708	1.0
S & P 500	4,456	4,520	1.4
FTSE	7,461	7,467	0.1
Nikkei	28,040	28,110	0.3
Hang Seng	22,154	21,946	(0.9)
Shanghai Comp	3,271	3,250	(0.6)
Sensex	57,685	57,596	(0.2)
Nifty	17,246	17,223	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Barring CNY (higher), other global currencies closed lower against the dollar. DXY rose by 0.2% as US labour market data (jobless claims) supports the view that Fed may hike rates more aggressively. JPY fell the most (1%), followed by EUR and GBP (0.1% each). INR too fell by 0.1%, as oil prices remain elevated. Today, Asian currencies are trading higher.

Fig 2 – Currencies

	23-03-2022	24-03-2022	% change
EUR/USD	1.1004	1.0997	(0.1)
GBP/USD	1.3205	1.3187	(0.1)
USD/JPY	121.15	122.35	(1.0)
USD/INR	76.30	76.37	(0.1)
USD/CNY	6.3724	6.3678	0.1

Source: Bloomberg, Bank of Baroda Research

- Except China (lower-on expectation of monetary stimulus), global yields closed higher. US 10Y yields rose the most by 8bps as Minneapolis Fed President spoke of seven quarter-point interest rate hikes in CY22. Germany's 10Y yield rose by 7bps as ECB Board member Frank Elderson said, he wouldn't rule out rate hike in CY22. India's 10Y yield closed flat, in absence of any fresh cues.



Fig 3 – Bond 10Y yield

	23-03-2022	24-03-2022	% change
US	2.29	2.37	8
UK	1.63	1.65	2
Germany	0.47	0.53	7
Japan	0.23	0.23	0
China	2.83	2.81	(2)
India	6.83	6.83	0

Source: Bloomberg, Bank of Baroda Research

- India's short-term rates eased across the board. Investors await Central government's borrowing calendar for H1FY23, due next week, for fresh cues.

Fig 4 – Short term rates

	23-03-2022	24-03-2022	% change
Tbill-91 days	3.78	3.76	(2)
Tbill-182 days	4.30	4.27	(3)
Tbill-364 days	4.58	4.57	(1)
G-Sec 2Y	5.00	5.01	1
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.28	0.27	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	23-03-2022	24-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.3)	(5.5)	(0.2)
Reverse repo	5.3	5.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	22-03-2022	23-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	157.2	119.7	(37.6)
Debt	62.3	2.2	(60.2)
Equity	94.9	117.5	22.6
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 fell by 2.1% to US\$ 119/bbl owing news of probable increase in supply. Investors are tracking developments around US-Iran nuclear deal and release of oil from strategic reserves by US and its allies. Gold prices rose by 0.7% (more than 1-week high), driven by inflationary concerns.

Fig 7 – Commodities

	23-03-2022	24-03-2022	% change
Brent crude (US\$/bbl)	121.6	119.0	(2.1)
Gold (US\$/ Troy Ounce)	1,943.9	1,957.7	0.7
Copper (US\$/ MT)	10,443.0	10,327.0	(1.1)
Zinc (US\$/MT)	4,141.0	4,050.0	(2.2)
Aluminum (US\$/MT)	3,653.0	3,623.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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