

MORNING MOCHA

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ECONOMIST
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Global equity and currencies closed higher supported by better macro print in the US (consumer spending, durable goods orders) and Euro Area (economic confidence index). Investors also await cues on diplomacy talks. Meanwhile, S&P has downgraded Russia's rating to junk. Markets await Fed Chair's testimony to the Congress this week. On the domestic front, GDP data for Q3 is awaited.

- Except Hang Seng (lower), global equity indices ended higher as investors are awaiting cues for any dialogue of diplomacy. Strong corporate earnings also supported the indices. FTSE rose the most, followed by Dow on account of better macro prints. Sensex rose by 2.4%, supported by real estate and power stocks.

Fig 1 – Stock markets

	24-02-2022	25-02-2022	% change
Dow Jones	33,224	34,059	2.5
S & P 500	4,289	4,385	2.2
FTSE	7,207	7,489	3.9
Nikkei	25,971	26,477	1.9
Hang Seng	22,902	22,767	(0.6)
Shanghai Comp	3,430	3,451	0.6
Sensex	54,530	55,859	2.4
Nifty	16,248	16,658	2.5

Source: Bloomberg, Bank of Baroda Research

- Except JPY (flat), other global currencies closed higher against the dollar. DXY fell by 0.5% despite better than expected durable goods orders. EUR rose the most by 0.7% as Euro Area's economic confidence index was higher than expected. INR too rose by 0.5% amidst fall in oil prices. Asian currencies are trading mixed today.

Fig 2 – Currencies

	24-02-2022	25-02-2022	% change
EUR/USD	1.1192	1.1268	0.7
GBP/USD	1.3380	1.3409	0.2
USD/JPY	115.53	115.55	0
USD/INR	75.65	75.29	0.5
USD/CNY	6.3292	6.3175	0.2

Source: Bloomberg, Bank of Baroda Research

- Global bonds closed mixed tracking Russia's invasion of Ukraine. US 10Y yield closed flat despite core PCE data inching up by 5.2% in Jan'22, on YoY basis (highest since Apr 1983). Germany's 10Y yield rose by 6bps despite ECB chief economist pointing that Ukraine conflict may reduce the Euro Zone's output by



0.3%-0.4% in CY22. India's 10Y yield fell by 1bps since the new benchmark security (6.54% GS 2032) remained fully subscribed for the first time.

Fig 3 – Bond 10Y yield

	24-02-2022	25-02-2022	% change
US	1.96	1.96	0
UK	1.45	1.46	1
Germany	0.17	0.23	6
Japan	0.20	0.21	1
China	2.81	2.79	(2)
India	6.76	6.75	(1)

Source: Bloomberg, Bank of Baroda Research

- Short end yields closed lower. RBI has published the revised auction calendar of TBill of Rs 1.86tn against Rs 1.26tn earlier for Mar'22.

Fig 4 – Short term rates

	24-02-2022	25-02-2022	% change
Tbill-91 days	3.69	3.68	(1)
Tbill-182 days	4.15	4.14	(1)
Tbill-364 days	4.43	4.47	(2)
G-Sec 2Y	4.85	4.85	(5)
SONIA int rate benchmark	37.00	39.63	0
US SOFR	0.44	0.45	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	25-02-2022	24-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.2)	(7.1)	(0.1)
Reverse repo	0.5	7.0	(6.5)
Repo	0	0	0

Source: Bloomberg, Bank of Baroda Research

Fig 6 – Capital market flows

	23-02-2022	24-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(373.8)	(892.7)	(519.0)
Debt	6.6	(4.1)	(10.7)
Equity	(380.4)	(888.6)	(508.3)
Mutual funds (Rs cr)	2,637.2	2,021.5	(615.7)
Debt	2,003.0	1,307.9	(695.1)
Equity	634.3	713.7	79.4

Source: Bloomberg, Bank of Baroda Research; Note: Data for Mutual Fund inflows pertains to 17 Feb 2022 and 18 Feb 2022

- Global commodity prices retreated amidst a revival in risk-appetite. Oil prices fell by 1.2% (US\$ 98/bbl), on expectation that the Russian energy sector is unlikely to be severely sanctioned. Gold prices too edged lower by 0.8%.

Fig 7 – Commodities

	24-02-2022	25-02-2022	% change
Brent crude (US\$/bbl)	99.1	97.9	(1.2)
Gold (US\$/ Troy Ounce)	1,903.9	1,889.3	(0.8)
Copper (US\$/ MT)	9,918.5	9,918.0	0
Zinc (US\$/MT)	3,661.3	3,637.8	(0.6)
Aluminum (US\$/MT)	3,394.5	3,357.5	(1.1)

Source: Bloomberg, Bank of Baroda Research



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