

## MORNING MOCHA

28 March 2022

ECONOMIST  
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China's industrial profits rose by 5% for the Jan-Feb'21 period (4.2% in Dec'21). This was led by surge in profits of raw materials and energy sectors on the back of higher commodity prices for that period. Germany's IFO climate index fell sharply due to ongoing geopolitical conflicts. Oil prices edged higher and DXY ended flat.

- Global markets closed mixed as investors monitored ongoing developments across key meetings of NATO, EU and G7 leaders. Furthermore, expectations of aggressive rate hikes by Fed also kept global equity indices on edge. Hang Seng (2.5%) dropped the most. Sensex (0.4%) too ended in red and was dragged down by consumer durable stocks.

**Fig 1 – Stock markets**

|               | 24-03-2022 | 25-03-2022 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones     | 34,708     | 34,861     | 0.4       |
| S & P 500     | 4,520      | 4,543      | 0.5       |
| FTSE          | 7,467      | 7,483      | 0.2       |
| Nikkei        | 28,110     | 28,150     | 0.1       |
| Hang Seng     | 21,946     | 21,405     | (2.5)     |
| Shanghai Comp | 3,250      | 3,212      | (1.2)     |
| Sensex        | 57,596     | 57,362     | (0.4)     |
| Nifty         | 17,223     | 17,153     | (0.4)     |

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY closed flat even as US pending home sales and consumer sentiment index dipped in Mar'22. EUR depreciated by 0.1% as Germany's Ifo business climate index fell in Mar'22. After depreciating for 5-straight sessions, JPY rose by 0.2%. INR appreciated by 0.2% even as oil prices remained elevated. It is trading further lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

|         | 24-03-2022 | 25-03-2022 | % change |
|---------|------------|------------|----------|
| EUR/USD | 1.0997     | 1.0983     | (0.1)    |
| GBP/USD | 1.3187     | 1.3182     | 0        |
| USD/JPY | 122.35     | 122.05     | 0.2      |
| USD/INR | 76.37      | 76.21      | 0.2      |
| USD/CNY | 6.3678     | 6.3662     | 0        |

Source: Bloomberg, Bank of Baroda Research

- Except China and India (lower), other global yields closed higher. US 10Y yields rose the most by 10bps to its highest since May'19 (2.47%) on expectations of aggressive policy tightening by Fed. 10Y yields in UK and Germany also rose by 5bps each. India's 10Y yield fell by 2bps to 6.81% despite higher oil prices.



**Fig 3 – Bond 10Y yield**

|         | 24-03-2022 | 25-03-2022 | % change |
|---------|------------|------------|----------|
| US      | 2.37       | 2.47       | 10       |
| UK      | 1.65       | 1.70       | 5        |
| Germany | 0.53       | 0.59       | 5        |
| Japan   | 0.23       | 0.24       | 1        |
| China   | 2.81       | 2.80       | (1)      |
| India   | 6.83       | 6.81       | (2)      |

Source: Bloomberg, Bank of Baroda Research

- Short-term yields in India were mixed. While yield on 91-day paper rose sharply by 14bps, yield on 182-day Tbill was lower by 2bps.

**Fig 4 – Short term rates**

|                          | 24-03-2022 | 25-03-2022 | % change |
|--------------------------|------------|------------|----------|
| Tbill-91 days            | 3.76       | 3.90       | 14       |
| Tbill-182 days           | 4.27       | 4.25       | (2)      |
| Tbill-364 days           | 4.57       | 4.57       | 0        |
| G-Sec 2Y                 | 5.01       | 5.00       | (1)      |
| SONIA int rate benchmark | 0.69       | 0.69       | 0        |
| US SOFR                  | 0.27       | 0.27       | 0        |

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

| Rs tn                             | 24-03-2022 | 25-03-2022 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (5.5)      | (4.9)      | 0.6            |
| Reverse repo                      | 5.3        | 0.4        | (4.9)          |
| Repo                              | 0          | 0          | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 23-03-2022 | 24-03-2022 | Change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | 119.7      | (191.5)    | (311.1)                |
| Debt                 | 2.2        | (15.0)     | (17.2)                 |
| Equity               | 117.5      | (176.5)    | (294.0)                |
| Mutual funds (Rs cr) | 1,713.2    | (1,754.9)  | (3,468.1)              |
| Debt                 | 1,292.4    | (1,698.0)  | (2,990.4)              |
| Equity               | 420.9      | (56.9)     | (477.7)                |

Source: Bloomberg, Bank of Baroda Research | Mutual fund data refers to 21 and 22 Mar 2022

- Crude prices rose by 1.4% to US\$ 121/bbl as concerns over supply shock vulnerability rose as global stockpiles remained lowest since CY14. Prices of copper and aluminum also dipped lower.

**Fig 7 – Commodities**

|                         | 24-03-2022 | 25-03-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl)  | 119.0      | 120.7      | 1.4      |
| Gold (US\$/ Troy Ounce) | 1,957.7    | 1,958.3    | 0        |
| Copper (US\$/ MT)       | 10,327.0   | 10,249.0   | (0.8)    |
| Zinc (US\$/MT)          | 4,050.0    | 4,075.3    | 0.6      |
| Aluminum (US\$/MT)      | 3,623.5    | 3,605.0    | (0.5)    |

Source: Bloomberg, Bank of Baroda Research



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