

MORNING MOCHA

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ECONOMIST
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US GDP contracted unexpectedly by 1.4% in Q1CY22 (est. +1%) on the back of rising Covid-19 cases and waning fiscal support. Even so, DXY strengthened to a 20-year high as Fed is expected to outpace other global central banks in hiking policy rates. Fed is expected to raise rates by 50bps in its policy meet scheduled next week. JPY, GBP and EUR languished at multi-year lows. Equity markets rose, supported by better than expected corporate earnings report.

- Global indices rose across the board on the back of strong corporate earnings. S&P500 and Dow rose by 2.5% and 1.8% respectively, despite concerns over a surprise contraction in US GDP growth in Q1CY22. Nikkei and Hang Seng climbed up by 1.7% each. Sensex (1.2%) too ended in green led by gains in power and consumer durables stocks. It is trading further higher today, in line with other Asian markets.

Fig 1 – Stock markets

	27-04-2022	28-04-2022	% change
Dow Jones	33,302	33,916	1.8
S & P 500	4,184	4,288	2.5
FTSE	7,426	7,509	1.1
Nikkei	26,387	26,848	1.7
Hang Seng	19,946	20,276	1.7
Shanghai Comp	2,958	2,975	0.6
Sensex	56,819	57,521	1.2
Nifty	17,038	17,245	1.2

Source: Bloomberg, Bank of Baroda Research

- Barring INR (flat), other global currencies closed lower. DXY surged by 0.6% to a ~20-year high on strengthening expectations that the Fed is likely to be more aggressive than other global central banks. JPY depreciated sharply by 1.8% to a 20-year low as BoJ reiterated its ultra-dovish stance. EUR too depreciated by 0.5% to a 5-year low amidst concern over energy security as Russia halted gas supplies to Poland and Bulgaria. INR is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

	27-04-2022	28-04-2022	% change
EUR/USD	1.0557	1.0499	(0.5)
GBP/USD	1.2545	1.2457	(0.7)
USD/JPY	128.43	130.85	(1.8)
USD/INR	76.53	76.49	0
USD/CNY	6.5606	6.6266	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except US and Japan (lower), other global yields closed higher. US 10Y yield fell by 1bps as US GDP contracted unexpectedly in Q1CY22. Japan's 10Y yield



fell by 2bps after BoJ policy announcement. On the other hand, 10Y yields in Germany and UK rose by 10bps and 6bps respectively. India's 10Y yield rose by 7bps to 7.16% ahead of Rs 330bn auction scheduled today. It is trading further higher at 7.17% today.

Fig 3 – Bond 10Y yield

	27-04-2022	28-04-2022	change in bps
US	2.83	2.82	(1)
UK	1.81	1.88	6
Germany	0.80	0.90	10
Japan	0.25	0.23	(2)
China	2.85	2.85	0
India	7.08	7.16	7

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-04-2022	28-04-2022	% change
Tbill-91 days	3.97	3.98	1
Tbill-182 days	4.39	4.38	(1)
Tbill-364 days	4.79	4.77	(2)
G-Sec 2Y	5.44	5.49	5
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.27	0.28	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-04-2022	28-04-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.2)	(4.7)	0.5
Reverse repo	5.0	5.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-04-2022	27-04-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(43.6)	(385.9)	(342.3)
Debt	(57.2)	(21.8)	35.4
Equity	13.6	(364.1)	(377.8)
Mutual funds (Rs cr)	2,608.5	1,595.5	(1,012.9)
Debt	1,499.9	161.1	(1,338.8)
Equity	1,108.6	1,434.5	325.9

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose after Germany decided to no longer oppose the Russian oil embargo. This is further expected to tighten global supplies and push prices higher. Gold prices also inched up by 0.4%.

Fig 7 – Commodities

	27-04-2022	28-04-2022	% change
Brent crude (US\$/bbl)	105.3	107.6	2.2
Gold (US\$/ Troy Ounce)	1,886.1	1,894.5	0.4
Copper (US\$/ MT)	9,866.5	9,696.0	(1.7)
Zinc (US\$/MT)	4,278.0	4,197.0	(1.9)
Aluminum (US\$/MT)	3,093.5	3,031.5	(2.0)

Source: Bloomberg, Bank of Baroda Research



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