

## MORNING MOCHA

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ECONOMIST  
**Jahnvi**

Oil prices slumped lower by 6.8% to US\$ 113/bbl. US president Biden presented its US\$ 5.8tn budget plan for 2023 with the proposal to hike taxes. DXY was up by 0.3% on expectations of more rate hikes by Fed. Gold prices retreated on the back of easing supply concerns ahead of Ukraine-Russia peace talks.

- Apart from FTSE and Nikkei, other global indices ended in green as investors continued to track global developments. Amongst other indices, Hang Seng (1.3%) and S&P 500 (0.7%) gained the most. Sensex (0.4%) too ended in green led by gains in oil and gas and banking stocks. It is trading higher today in line with other Asian stocks.

**Fig 1 – Stock markets**

|               | 25-03-2022 | 28-03-2022 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones     | 34,861     | 34,956     | 0.3       |
| S & P 500     | 4,543      | 4,576      | 0.7       |
| FTSE          | 7,483      | 7,473      | (0.1)     |
| Nikkei        | 28,150     | 27,944     | (0.7)     |
| Hang Seng     | 21,405     | 21,685     | 1.3       |
| Shanghai Comp | 3,212      | 3,215      | 0.1       |
| Sensex        | 57,362     | 57,593     | 0.4       |
| Nifty         | 17,153     | 17,222     | 0.4       |

Source: Bloomberg, Bank of Baroda Research

- Barring EUR (flat) and INR (higher), other global currencies closed lower against the dollar. DXY rose by 0.3% on expectations of aggressive rate hike by Fed. JPY fell the most (1.5%), following BoJ's move (announcement of unlimited sovereign bond buying from 28-31 March). INR rose by 0.1%, as oil prices fell sharply. Today, Asian currencies are trading mixed.

**Fig 2 – Currencies**

|         | 25-03-2022 | 28-03-2022 | % change |
|---------|------------|------------|----------|
| EUR/USD | 1.0983     | 1.0985     | 0        |
| GBP/USD | 1.3182     | 1.3088     | (0.7)    |
| USD/JPY | 122.05     | 123.86     | (1.5)    |
| USD/INR | 76.21      | 76.17      | 0.1      |
| USD/CNY | 6.3662     | 6.3721     | (0.1)    |

Source: Bloomberg, Bank of Baroda Research

- Except Japan and India (higher), global yields closed lower. UK's 10Y yields fell the most by 8bps, followed by US, Germany and China (1bps each). Investors are monitoring burst of new Covid-19 cases in China and its impact on global recovery. Japan's 10Y inched up by 1bps and touched BoJ's upper limit of tolerance band, despite its announcement of unlimited sovereign bond buying from 28-31 Mar 2022. India's 10Y yield rose by 3bps.



**Fig 3 – Bond 10Y yield**

|         | 25-03-2022 | 28-03-2022 | % change |
|---------|------------|------------|----------|
| US      | 2.47       | 2.46       | (1)      |
| UK      | 1.70       | 1.62       | (8)      |
| Germany | 0.59       | 0.58       | (1)      |
| Japan   | 0.24       | 0.25       | 1        |
| China   | 2.80       | 2.79       | (1)      |
| India   | 6.81       | 6.84       | 3        |

Source: Bloomberg, Bank of Baroda Research

- India's short-term rates eased sharply on 91-day and 182-day T-bill paper, ahead of the last T-bill auction for FY22 due tomorrow.

**Fig 4 – Short term rates**

|                          | 25-03-2022 | 28-03-2022 | % change |
|--------------------------|------------|------------|----------|
| Tbill-91 days            | 3.90       | 3.75       | (15)     |
| Tbill-182 days           | 4.25       | 4.18       | (7)      |
| Tbill-364 days           | 4.57       | 4.57       | 0        |
| G-Sec 2Y                 | 5.00       | 5.01       | 0        |
| 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                             | 25-03-2022 | 28-03-2022 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (4.9)      | (5.9)      | (1.0)          |
| Reverse repo                      | 0.4        | 2.8        | 2.4            |
| Repo                              | 0          | 0          | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 24-03-2022 | 25-03-2022 | Change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | (191.5)    | (85.5)     | 106.0                  |
| Debt                 | (15.0)     | 96.9       | 111.9                  |
| Equity               | (176.5)    | (182.4)    | (5.9)                  |
| Mutual funds (Rs cr) | (2,346.7)  | 2,496.6    | 4,843.3                |
| Debt                 | (1,643.3)  | 1,120.8    | 2,764.1                |
| Equity               | (703.4)    | 1,375.9    | 2,079.2                |

Source: Bloomberg, Bank of Baroda Research | Mutual fund data refers to 23 and 24 Mar 2022

- Crude prices dropped sharply by 6.8% to US\$ 113/bbl led by expectation of weaker demand in China (largest crude oil importer) on the back of lockdown restrictions imposed to contain the spread of Covid-19. Gold prices also moderated by 1.8%.

**Fig 7 – Commodities**

|                         | 25-03-2022 | 28-03-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl)  | 120.7      | 112.5      | (6.8)    |
| Gold (US\$/ Troy Ounce) | 1,958.3    | 1,922.8    | (1.8)    |
| Copper (US\$/ MT)       | 10,249.0   | 10,341.0   | 0.9      |
| Zinc (US\$/MT)          | 4,075.3    | 4,098.5    | 0.6      |
| Aluminum (US\$/MT)      | 3,605.0    | 3,614.0    | 0.2      |

Source: Bloomberg, Bank of Baroda Research



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