

## MORNING MOCHA

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ECONOMIST  
**Jahnvi**

Global markets remained rattled by the stagflation like situation worldwide. While growth remained muted in the Eurozone and US. Even China's factory activity remained weak. Inflation remained overheated. Eurozone's inflation print touched its record high level for the 6th month in a row. Market is pricing in a 50bps rate hike by US Fed in its upcoming policy scheduled on 3 May. Thus, US 10Y yield rose sharply by 11bps. Elsewhere, crude prices rose by 1.6% (US\$ 109/bbl) as news reports suggested that Russia's oil production could fall by 17% in CY22.

- Global indices ended mixed led by disappointing corporate results and concerns over accelerating inflation across the globe. S&P 500 (3.6%) declined the most. On the other hand, Hang Seng rose by 4% on hopes of more policy support from the government as the country tackles the Covid-19 outbreak. On the domestic front, Sensex (0.8%) ended in red and was dragged down by oil and gas and power stocks. It is trading further lower today.

**Fig 1 – Stock markets**

	28-04-2022	29-04-2022	% change
Dow Jones	33,916	32,977	(2.8)
S & P 500	4,288	4,132	(3.6)
FTSE	7,509	7,545	0.5
Nikkei	26,387	26,848	1.7
Hang Seng	20,276	21,089	4.0
Shanghai Comp	2,975	3,047	2.4
Sensex	57,521	57,061	(0.8)
Nifty	17,245	17,103	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher. DXY retreated and ended lower by 0.6% with news of subdued quarterly earnings. However it has still posted its best month since CY15 (5% gain in Apr'22) led by expectation of hawkish pivot by Fed. Both JPY and GBP appreciated by 0.9% each. INR rose by 0.1% supported by FII inflows. It is trading flat today; other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	28-04-2022	29-04-2022	% change
EUR/USD	1.0499	1.0545	0.4
GBP/USD	1.2457	1.2574	0.9
USD/JPY	130.85	129.70	0.9
USD/INR	76.49	76.43	0.1
USD/CNY	6.6266	6.6085	0.3

Source: Bloomberg, Bank of Baroda Research

- Except China and India (lower) and Japan (stable), global yields closed higher. US 10Y yield rose the most by 11bps as market is pricing in a 50bps rate hike in the Fed's policy meeting scheduled on 3 May. Record high inflation in the



Eurozone for the six consecutive month in Apr'22 (7.5%) also raised rate hike expectations by ECB. Thus yield in Germany rose by 4bps. China's 10Y yield fell by 1bps amidst news of infrastructure push by the Cabinet. India's 10Y yield fell by 2bps (7.14%). It is trading lower at 7.12% today, backed by firm demand at auction.

**Fig 3 – Bond 10Y yield**

	28-04-2022	29-04-2022	change in bps
US	2.82	2.93	11
UK	1.88	1.91	3
Germany	0.90	0.94	4
Japan	0.23	0.23	0
China	2.85	2.84	(1)
India	7.16	7.14	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-04-2022	29-04-2022	% change
Tbill-91 days	3.98	4.04	6
Tbill-182 days	4.38	4.39	1
Tbill-364 days	4.77	4.76	(1)
G-Sec 2Y	5.49	5.60	11
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.28	0.28	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	28-04-2022	29-04-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(4.8)	(5.0)	(0.2)
Reverse repo	5.0	5.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	27-04-2022	28-04-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(385.9)	91.5	477.5
Debt	(21.8)	(155.1)	(133.3)
Equity	(364.1)	246.7	610.8
Mutual funds (Rs cr)	1,595.5	1,594.6	(1.0)
Debt	161.1	(105.7)	(266.8)
Equity	1,434.5	1,700.3	265.8

Source: Bloomberg, Bank of Baroda Research

- Crude prices surged by 1.6% to US\$ 109/bbl on the back of supply concerns and near term risk from China as it continues to battle Covid-19 induced restrictions. Gold prices also inched up by 0.1% as dollar index declined.

**Fig 7 – Commodities**

	28-04-2022	29-04-2022	% change
Brent crude (US\$/bbl)	107.6	109.3	1.6
Gold (US\$/ Troy Ounce)	1,894.5	1,896.9	0.1
Copper (US\$/ MT)	9,696.0	9,770.5	0.8
Zinc (US\$/MT)	4,197.0	4,151.3	(1.1)
Aluminum (US\$/MT)	3,031.5	3,052.5	0.7

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)