

## MORNING MOCHA

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ECONOMIST  
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Global markets continued to monitor hawkish comments by Fed. DXY rose to 18-month high as investors looked forward to upcoming central bank meetings (ECB, BoE). In India, Sensex rebounded as the focus shifted towards the Economic Survey and Union Budget. Notably, ahead of the Budget, government has switched Rs 1.19tn of bonds with RBI, effectively pushing the maturity to a later date.

- Barring Dow and Nikkei, other global indices ended lower as investors continued to monitored hawkish commentary by Fed. Amongst other indices, FTSE (1.2%) dropped the most followed by Hang Seng (1.1%). Sensex (0.1%) too ended in red and was dragged down by banking and automobile stocks. However, it is trading higher today in line with other Asian stocks.

**Fig 1 – Stock markets**

	28-01-2022	27-01-2022	% change
Dow Jones	34,725	34,161	1.7
S & P 500	4,432	4,327	2.4
FTSE	7,466	7,554	(1.2)
Nikkei	26,717	26,170	2.1
Hang Seng	23,550	23,807	(1.1)
Shanghai Comp	3,361	3,394	(1.0)
Sensex	57,200	57,277	(0.1)
Nifty	17,102	17,110	0

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies closed higher against the dollar. DXY hovered around an 18-month high amidst expectations of aggressive rate hikes by Fed. EUR and GBP both rose by 0.1%, awaiting policy decisions of ECB and BoE. INR is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	28-01-2022	27-01-2022	% change
EUR/USD	1.1151	1.1145	0.1
GBP/USD	1.3401	1.3383	0.1
USD/JPY	115.26	115.37	0.1
USD/INR	75.04	75.0688	0
USD/CNY	6.3612	6.3682	0.1

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed ahead of the policy decision of major central banks (ECB and UK). US 10Y yield fell by 3bps awaiting jobs report this week. Japan's 10Y yield rose to its 6-year high (0.17%) as inflationary pressures persist and on expectation that central bank may turn hawkish. India's 10Y yield rose by 1bps (6.75%) on account of devolvement of 6.54% GS 2032 security of Rs 30bn. It is trading at 6.73% today, while Asian bonds are trading mixed.



**Fig 3 – Bond 10Y yield**

	28-01-2022	27-01-2022	% change
US	1.77	1.80	(3)
UK	1.24	1.23	2
Germany	(0.05)	(0.06)	1
Japan	0.17	0.16	1
China	2.71	2.73	(2)
India	6.75	6.75	1

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were close on 26 Jan 2022

- Short end yield closed mixed tracking RBI's reversal of another 14-day Variable Rate reverse Repo of Rs 5tn.

**Fig 4 – Short term rates**

	28-01-2022	27-01-2022	% change
Tbill-91 days	3.70	3.71	(1)
Tbill-182 days	4.16	4.18	(2)
Tbill-365 days	4.50	4.49	1
G-Sec 2Y	4.83	4.82	1
AAACorp Spread 3Y	5.98	5.98	-
SONIA int rate benchmark	32.04	32.04	-
US SOFR	42.59	42.59	-

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	28-01-2022	27-01-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.3)	(5.2)	0.1
Reverse repo*	0.5	5.5	(5.0)
Repo*	0	0	0

Source: Bloomberg, Bank of Baroda Research \*Variable rate outstanding,

**Fig 6 – Capital market flows**

	27-01-2022	25-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(734.3)	(939.7)	205.4
Debt	0.2	(8.5)	8.7
Equity	(734.4)	(931.2)	196.8
Mutual funds (Rs cr)	3,387.0	1,436.7	1,950.3
Debt	78.5	311.2	(232.8)
Equity	3,308.5	1,125.5	2,183.1

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 25 Jan 2022 and 24 Jan 2022

- International oil prices rose by 0.8% (US\$ 90/bbl) amidst supply concerns and rising fuel demand. On the other hand, gold prices fell by 0.3% as strong demand for dollar and other currencies impacted gold's performance.

**Fig 7 – Commodities**

	28-01-2022	27-01-2022	% change
Brent crude (US\$/bbl)	90.0	89.3	0.8
Gold	1791.5	1797.4	(0.3)

Source: Bloomberg, Bank of Baroda Research



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