

## MORNING MOCHA

03 February 2022

ECONOMIST  
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Global markets continued to rally. Investors remained watchful of the ADP unemployment print in the US which was downbeat. Investors are looking for cues from ECB and BoE policy decision. In India, bonds rally persisted.

- Global indices ended higher as investors monitored global corporate results. Amongst other indices, Nikkei (1.7%) surged the most. Sensex (1.4%) too ended in green extending gains following investment centric budgetary announcements. Midcap and smallcap indices rose by 1% and 1.6% respectively. However, it is trading lower today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	2-02-2022	1-01-2022	% change
Dow Jones	35,629	35,405	0.6
S & P 500	4,589	4,547	0.9
FTSE	7,583	7,536	0.6
Nikkei	27,534	27,078	1.7
Hang Seng	23,802	23,550	1.1
Shanghai Comp	3,361	3,394	(1.0)
Sensex	59,558	58,863	1.2
Nifty	17,780	17,577	1.2

Source: Bloomberg, Bank of Baroda Research, Note: Markets in Hong Kong and China are closed this week

- Except INR (lower), other global currencies closed higher. DXY fell by 0.5% as US private payrolls fell unexpectedly in Jan'22. EUR rose by 0.3% as higher than expected inflation print raised expectations of rate hike by ECB. INR depreciated by 0.1% as oil prices rose. However it is trading higher today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	2-02-2022	1-01-2022	% change
EUR/USD	1.1305	1.1272	0.3
GBP/USD	1.3577	1.3522	0.4
USD/JPY	114.46	114.71	0.2
USD/INR	74.84	74.80	(0.1)
USD/CNY	6.3612	6.3682	0.1

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China will remain closed this week

- Global yields closed mixed. While Germany and Japan's 10Y yield closed stable, UK's 10Y yield fell by 4bps. Investor sentiment was impacted by record high increase in Eurozone inflation in Jan'22 (5.1%) and also awaiting central banks' policy decision. India's 10Y yield rose by 4bps (6.88%) as higher borrowing announcement and elevated oil prices impacted sentiments. It is trading at 6.89% today.



**Fig 3 – Bond 10Y yield**

	2-02-2022	1-01-2022	% change
US	1.78	1.79	(1)
UK	1.26	1.30	(4)
Germany	0.04	0.04	0
Japan	0.18	0.18	(0)
China	2.71	2.73	(2)
India	6.88	6.85	4

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China will remain closed this week

- Short end yields rose sharply, with 91-day T-bill yield up by 12bps and 182-day T-bill yield up by 16bps. This was following T-bill auction conducted by the RBI, wherein cut-off yield for 91-day T-bill touched 3.88% (+18bps from last week), and for 182-day T-bill it touched 4.40% (+22bps).

**Fig 4 – Short term rates**

	2-02-2022	1-01-2022	% change
Tbill-91 days	3.85	3.73	12
Tbill-182 days	4.32	4.16	16
Tbill-365 days	4.63	4.51	12
G-Sec 2Y	4.90	4.90	0
AAACorp Spread 3Y	37.00	32.04	5
SONIA int rate benchmark	39.89	42.59	(3)
US SOFR	0.20	0.20	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	2-02-2022	1-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.1)	(6.6)	(0.5)
Reverse repo*	5.7	3.7	2.0
Repo*	0	0	0

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

**Fig 6 – Capital market flows**

	1-02-2022	31-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(103.0)	(314.2)	211.2
Debt	(90.1)	(42.4)	(47.7)
Equity	(12.9)	(271.7)	258.9
Mutual funds (Rs cr)	3,290.1	(2,863.0)	6,153.0
Debt	381.4	(2,112.3)	2,493.7
Equity	2,908.7	(750.7)	3,659.3

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 28 Jan 2022 and 27 Jan 2022

- International oil prices rose marginally by 0.3% (US\$ 90/bbl) following dip in US stockpiles. Gold prices also rose by 0.3%, as weaker than estimated ADP employment print led to dip in DXY and US treasury yields.

**Fig 7 – Commodities**

	2-02-2022	1-01-2022	% change
Brent crude (US\$/bbl)	89.5	89.2	0.3
Gold (US\$/ Troy Ounce)	1806.8	1801.2	0.3
Copper (US\$/ MT)	9877.8	9737.5	1.4
Zinc (US\$/MT)	3615.5	3622.0	(0.2)
Aluminum (US\$/MT)	2515.0	2515.0	0

Source: Bloomberg, Bank of Baroda Research



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