

MORNING MOCHA

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ECONOMIST
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Global markets were rattled by escalating geopolitical tensions. Yields rose across the board as oil prices surged to US\$ 113/bbl and is trading at US\$ 116/bbl today-highest since Aug-13. Other commodity prices such as wheat rose to its 14-year peak and aluminium rose to its record high. Bank of Canada raised rates by 25bps (first time since Oct'18). Data showed labour market remained tight in US and Germany. Fed Chair signalled hike of 25bps in Mar'22.

- Global indices ended mixed as investors monitored deepening crisis between Russia and Ukraine. Hang Seng (1.8%) and Nikkei (1.7%) declined the most. On the other hand, Dow ended higher (1.8%) supported by better payroll numbers. Domestic market ended in red (1.4%) following subdued global cues. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	1-03-2022	2-03-2022	% change
Dow Jones	33,295	33,891	1.8
S & P 500	4,306	4,387	1.9
FTSE	7,330	7,430	1.4
Nikkei	26,845	26,393	(1.7)
Hang Seng	22,762	22,344	(1.8)
Shanghai Comp	3,489	3,484	(0.1)
Sensex	56,247	55,469	(1.4)
Nifty	16,794	16,606	(1.1)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

- Except GBP, other global currencies ended lower as Russia-Ukraine conflict continued. Euro continued to slide (0.1%) even as it dropped to a new 21-month low, over concerns of economic outlook. INR depreciated by 0.5% as oil prices continued to surge higher (7.6%). Asian currencies are trading mixed today.

Fig 2 – Currencies

	1-03-2022	2-03-2022	% change
EUR/USD	1.1125	1.1119	(0.1)
GBP/USD	1.3325	1.3406	0.6
USD/JPY	114.92	115.52	(0.5)
USD/INR	75.34	75.71	(0.5)
USD/CNY	6.3119	6.3211	(0.1)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

- Barring Japan (lower), global yields rose sharply, tracking oil and other commodity prices. US 10Y yield rose the most by 15bps as Fed Chair remarked that it will move forward with its plan to raise rates for tackling inflation. Germany's yield rose by 10bps as Euro area inflation rose to its record high of



5.8% in Feb'21, on YoY basis, outstripping expectations (5.6%). India's 10Y yield also rose by 5bps.

Fig 3 – Bond 10Y yield

	1-03-2022	2-03-2022	% change
US	1.73	1.88	15
UK	1.13	1.26	13
Germany	-0.07	0.03	10
Japan	0.18	0.14	(4)
China	2.82	2.83	1
India	6.77	6.82	5

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

- Short end yields also rose. TBill auction results showed that yield at cut off rose across the board (91-days: +5bps, 182-days: +10bps and 364-days: +11bps).

Fig 4 – Short term rates

	1-03-2022	2-03-2022	% change
Tbill-91 days	3.69	3.68	7
Tbill-182 days	4.15	4.14	11
Tbill-364 days	4.43	4.47	5
G-Sec 2Y	4.85	4.85	13
SONIA int rate benchmark	37.00	39.63	0
US SOFR	0.44	0.45	0

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

Fig 5 – Liquidity

Rs tn	28-02-2022	2-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.4)	(8.0)	(0.6)
Reverse repo	5.4	6.9	1.5
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

Fig 6 – Capital market flows

	25-02-2022	28-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(517.6)	(640.8)	(123.2)
Debt	71.4	(93.1)	(164.5)
Equity	(589.0)	(547.7)	41.3
Mutual funds (Rs cr)	2,637.2	2,021.5	(615.7)
Debt	2,003.0	1,307.9	(695.1)
Equity	634.3	713.7	79.4

Source: Bloomberg, Bank of Baroda Research; Note: Data for Mutual Fund inflows pertains to 17 Feb 2022 and 18 Feb 2022

- As Russia-Ukraine conflict aggravated, crude oil prices surged by 7.6% (US\$ 113/bbl). Other commodity prices such as wheat rose to its 14-year peak and aluminum rose to its record high.

Fig 7 – Commodities

	1-03-2022	2-03-2022	% change
Brent crude (US\$/bbl)	105.0	112.9	7.6
Gold (US\$/ Troy Ounce)	1,945.3	1,928.7	(0.9)
Copper (US\$/ MT)	10,092.0	10,194.3	1.0
Zinc (US\$/MT)	3,766.5	3,877.3	2.9
Aluminum (US\$/MT)	3,478.0	3,569.0	2.6

Source: Bloomberg, Bank of Baroda Research



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