

MORNING MOCHA

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ECONOMIST
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Latest data for US unemployment shows that the rate was down to 2-year low of 3.6% Mar'22, indicating that a strong labour market will push US Fed to hiking rates more aggressively. Also, the impact of war and rising Covid-19 cases was visible on global manufacturing PMIs. Both China and Russia's activity has slowed, while hit to rest of the world has been moderate so far. However, 12-month ahead surveys in the PMI reflect that companies across regions are expecting a more solid hit in the coming months.

- Except Nikkei (lower, on account of growth concerns), global indices closed higher. Both European and US' markets edged up on account of progress in peace talks between Russia and Ukraine. Other than this, investors also watched record high inflation data in the Eurozone, yield curve inversion and jobs data in the US. Sensex (1.2%) too ended in green led by power and oil and gas stocks. It is trading higher today, in line with Asian other stocks.

Fig 1 – Stock markets

	31-03-2022	1-04-2022	Change, %
Dow Jones	34,678	34,818	0.4
S & P 500	4,530	4,546	0.3
FTSE	7,516	7,538	0.3
Nikkei	27,821	27,666	(0.6)
Hang Seng	21,997	22,040	0.2
Shanghai Comp	3,252	3,283	0.9
Sensex	58,569	59,277	1.2
Nifty	17,465	17,670	1.2

Source: Bloomberg, Bank of Baroda Research

- Most global currencies closed lower against the dollar. Gains in DXY (+0.3%) were supported by strong US labour market data, pushing Fed towards more aggressive rate hike. JPY (0.7%) and CNY (0.4%) fell the most. Today, Asian currencies are trading higher.

Fig 2 – Currencies

	31-03-2022	1-04-2022	% change
EUR/USD	1.1067	1.1043	(0.2)
GBP/USD	1.3138	1.3114	(0.2)
USD/JPY	121.70	122.52	(0.7)
USD/INR	75.91	75.79	0.2
USD/CNY	6.3400	6.3629	(0.4)

Source: Bloomberg, Bank of Baroda Research

- US 10Y yield rose by 4bps as unemployment rate fell to its lowest in 2-years and wages also accelerated, signalling faster pace of rate hike by Fed. China's 10Y yield fell by 1bps amidst concerns of muted growth. India's 10Y yield is



likely to inch up as government frontloaded 59% (Rs 8.45tn) of its gross borrowing in H1FY23.

Fig 3 – Bond 10Y yield

	31-03-2022	1-04-2022	change in bps
US	2.34	2.38	4
UK	1.61	1.61	0
Germany	0.55	0.56	1
Japan	0.22	0.23	1
China	2.79	2.78	(1)
India	6.78	6.84	5

Source: Bloomberg, Bank of Baroda Research

- Short end yields closed broadly lower ahead of the Rs 340bn auction in the current week.

Fig 4 – Short term rates

	30-03-2022	31-03-2022	% change
Tbill-91 days	3.81	3.77	(4)
Tbill-182 days	4.24	4.20	(4)
Tbill-364 days	4.56	4.45	(11)
G-Sec 2Y	4.97	4.97	0
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.27	0.29	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	31-03-2022	1-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.5)	(6.3)	(0.8)
Reverse repo	4.0	6.8	2.8
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-03-2022	30-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(113.3)	324.9	438.2
Debt	(90.0)	10.3	100.4
Equity	(23.3)	314.6	337.8
Mutual funds (Rs cr)	1,385.0	915.9	(469.1)
Debt	691.4	536.2	(155.2)
Equity	693.6	379.7	(314.0)

Source: Bloomberg, Bank of Baroda Research | Mutual fund data refers to 28 and 29 Mar 2022

- Crude prices fell by 3.3% to US\$ 104/bbl after the announcement that US will release 1mn barrel/day of crude oil from its strategic reserves for 6 months, starting May'22. Gold prices also fell by 0.6% as US\$ strengthened.

Fig 7 – Commodities

	31-03-2022	1-04-2022	% change
Brent crude (US\$/bbl)	107.9	104.4	(3.3)
Gold (US\$/ Troy Ounce)	1,937.4	1,925.7	(0.6)
Copper (US\$/ MT)	10,367.5	10,343.0	(0.2)
Zinc (US\$/MT)	4,232.5	4,408.0	4.1
Aluminum (US\$/MT)	3,491.0	3,450.0	(1.2)

Source: Bloomberg, Bank of Baroda Research



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