

## MORNING MOCHA

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ECONOMIST  
**Jahnvi**

Global markets closely tracked the policy rate decisions by central banks. BoE hiked rate once again to 0.5% as it began the process of quantitative tightening. ECB kept policy rates on hold. DXY dropped lower as US ISM service PMI disappointed.

- Global indices ended lower as investors monitored rate decisions by ECB and BoE. S & P 500 (2.4%) dropped the most. Sensex (1.3%) ended in red, snapping its 3-day winning streak. IT and real estate stocks dragged the index lower. It is trading lower today while other Asian stocks are trading higher.

**Fig 1 – Stock markets**

	03-02-2022	02-01-2022	% change
Dow Jones	35,111	35,629	(1.5)
S & P 500	4,477	4,589	(2.4)
FTSE	7,529	7,583	(0.7)
Nikkei	27,241	27,534	(1.1)
Hang Seng	23,802	23,550	1.1
Shanghai Comp	3,361	3,394	(1.0)
Sensex	58,788	59,558	(1.3)
Nifty	17,560	17,780	(1.2)

Source: Bloomberg, Bank of Baroda Research, Note: Market in China are closed this week. Market in Hong Kong was closed till 03.02.2022

- Except JPY (lower) and INR (flat), other global currencies closed higher against the dollar. DXY fell by 0.6% as US ISM services PMI dipped to an 11-month low in Jan'22. EUR gained by 1.2% on the back of hawkish comments from ECB. GBP too gained by 0.2% as BoE raised rates. On the other hand, JPY depreciated by 0.4% as Japan's services PMI slipped into contraction once again. INR is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	03-02-2022	02-01-2022	% change
EUR/USD	1.144	1.1305	1.2
GBP/USD	1.3598	1.3577	0.2
USD/JPY	114.97	114.46	(0.4)
USD/INR	74.86	74.84	0
USD/CNY	6.3612	6.3682	0.1

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

- UK's 10Y yield rose the most by 11bps as Bank of England (BoE) raised rate by another 25bps to 0.5%. This is the first consecutive rate hike since CY04. It also warned of inflation to peak 7.25% in Apr'22. Even Germany's 10Y yield rose by 10bps as ECB president warned of inflationary risks in its policy. US 10Y yield rose by 6bps as jobless claims data fell for the second straight week. India's new benchmark 10Y yield rose a tad by 1bps (6.89%). Asian bonds are trading higher today, India's 10Y yield at 6.94%.



**Fig 3 – Bond 10Y yield**

	03-02-2022	02-01-2022	% change
US	1.83	1.78	6
UK	1.37	1.26	11
Germany	0.14	0.04	10
Japan	0.18	0.18	0
China	2.71	2.73	(2)
India	6.89	6.88	1

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

**Fig 4 – Short term rates**

	02-02-2022	02-01-2022	% change
Tbill-91 days	3.85	3.85	0
Tbill-182 days	4.36	4.32	4
Tbill-365 days	4.60	4.63	(3)
G-Sec 2Y	4.87	4.90	(3)
AAACorp Spread 3Y	6.08	6.08	0
SONIA int rate benchmark	37.00	32.04	5
US SOFR	39.89	42.59	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	03-02-2022	02-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.1)	(7.1)	0
Reverse repo*	6.9	5.7	1.2
Repo*	0	0	0

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

**Fig 6 – Capital market flows**

	02-02-2022	01-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	70.0	(103.0)	172.9
Debt	(10.6)	(90.1)	79.5
Equity	80.6	(12.9)	93.4
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 by 1.8% (US\$ 91/bbl) driven by supply concerns, and revival in demand. Gold prices on the other hand fell by 0.1%, as US treasury yields firmed up.

**Fig 7 – Commodities**

	03-02-2022	02-01-2022	% change
Brent crude (US\$/bbl)	91.1	89.5	1.8
Gold (US\$/ Troy Ounce)	1804.9	1806.8	(0.1)
Copper (US\$/ MT)	9868.5	9877.8	(0.1)
Zinc (US\$/MT)	3601.3	3615.5	(0.4)
Aluminum (US\$/MT)	2540.0	2515.0	1.0

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)