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ECONOMIST
Jahnvi

Global market is eyeing Fed's policy decision and anticipating a rate hike of 50bps and also balance sheet reduction. Inflationary concerns in the Eurozone led Germany's 10Y yield touched the 1% mark (last trading session) for the first time since CY15. Central Bank of Australia also raised the rates for the first time since CY10 by 25bps against market expectation of 15bps, amidst inflationary concerns. In the US, durable goods and factory orders data came in better than expected, while in the Eurozone manufacturing activity remained a concern.

- Except Nikkei and Sensex, other global indices ended higher as investors monitored key central banks decisions and earnings reports across the globe. European indices too climbed higher with FTSE inching up by 0.7%. On the domestic front, Sensex (0.1%) ended in red and was dragged down by consumer durable and auto stocks. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

| | 02-05-2022 | 03-05-2022 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 33,062 | 33,129 | 0.2 |
| S & P 500 | 4,155 | 4,175 | 0.5 |
| FTSE | 7,509 | 7,561 | 0.7 |
| Nikkei | 26,848 | 26,819 | (0.1) |
| Hang Seng | 20,276 | 21,089 | 4.0 |
| Shanghai Comp | 2,975 | 3,047 | 2.4 |
| Sensex | 57,061 | 56,976 | (0.1) |
| Nifty | 17,103 | 17,069 | (0.2) |

Source: Bloomberg, Bank of Baroda Research, Note: Asian markets were closed on 02.05.2022. Sensex and Nikkei were shut on 03.05.2022

- Barring JPY (flat) and INR (lower), other global currencies closed higher. DXY continued to drop further (0.3%) as the markets have already priced in aggressive rate hike decision by Fed. AUD inched up after RBA hiked the cash rate by 25bps, for the first time in a decade. INR depreciated by 0.1%. It is trading flat today; other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 02-05-2022 | 03-05-2022 | % change |
|---------|------------|------------|----------|
| EUR/USD | 1.0507 | 1.0521 | 0.1 |
| GBP/USD | 1.2492 | 1.2499 | 0.1 |
| USD/JPY | 130.16 | 130.14 | 0 |
| USD/INR | 76.43 | 76.52 | (0.1) |
| USD/CNY | 6.6266 | 6.6085 | 0.3 |

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed ahead of Fed's policy decision. Market is anticipating 50bps rate hike and balance sheet reduction in the next months. UK's 10Y yield rose by 5bps as PMI data was better than expected. Germany's 10Y yield close



stable (for the first time since CY15, it hit the 1% mark in its trading session as inflation in the Eurozone skyrocketed). US 10Y yield fell a tad by 1bps. India's 10Y yield fell by 2bps (7.12%) supported by better demand at the auction. It is trading higher at 7.15% today.

Fig 3 – Bond 10Y yield

| | 02-05-2022 | 03-05-2022 | change in bps |
|---------|------------|------------|---------------|
| US | 2.98 | 2.97 | (1) |
| UK | 1.91 | 1.96 | 5 |
| Germany | 0.97 | 0.97 | 0 |
| Japan | 0.23 | 0.23 | 0 |
| China | 2.85 | 2.84 | (1) |
| India | 7.14 | 7.12 | (2) |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 02-05-2022 | 03-05-2022 | % change |
|--------------------------|------------|------------|----------|
| Tbill-91 days | 4.04 | 4.04 | 0 |
| Tbill-182 days | 4.39 | 4.28 | (11) |
| Tbill-364 days | 4.76 | 4.77 | 1 |
| G-Sec 2Y | 5.60 | 5.51 | (9) |
| SONIA int rate benchmark | 0.69 | 0.69 | 0 |
| US SOFR | 0.28 | 0.30 | 2 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 29-04-2022 | 02-05-2022 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (5.0) | (5.3) | (0.3) |
| Reverse repo | 5.0 | 5.0 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 28-04-2022 | 29-04-2022 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | 91.5 | (398.7) | (490.2) |
| Debt | (155.1) | 36.4 | 191.5 |
| Equity | 246.7 | (435.0) | (681.7) |
| Mutual funds (Rs cr) | 1,595.5 | 1,594.6 | (1.0) |
| Debt | 161.1 | (105.7) | (266.8) |
| Equity | 1,434.5 | 1,700.3 | 265.8 |

Source: Bloomberg, Bank of Baroda Research

- Crude prices slipped by 2.4% to US\$ 105/bbl led by demand concerns as China continues to battle with Covid-19 induced restrictions. Market is also eyeing US inventory data which analysts are expecting to drop by 1.2mn barrel and also the potential embargo on Russian oil by EU. Gold prices inched up by 0.3%.

Fig 7 – Commodities

| | 02-05-2022 | 03-05-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 107.6 | 105.0 | (2.4) |
| Gold (US\$/ Troy Ounce) | 1,863.0 | 1,868.1 | 0.3 |
| Copper (US\$/ MT) | 9,770.5 | 9,405.8 | (3.7) |
| Zinc (US\$/MT) | 4,151.3 | 3,988.8 | (3.9) |
| Aluminium (US\$/MT) | 3,052.5 | 2,911.0 | (4.6) |

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