

MORNING MOCHA

06 April 2022

ECONOMIST
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Global markets tracked hawkish comments from Fed officials as well as developments surrounding the possibility of fresh sanctions on Russia by US and European countries. As a result, while global stocks slid, DXY gained. On the macro front, services PMI improved in UK, Europe and US. However, uncertainty over the result of French Presidential elections capped gains in EUR.

- Except FTSE and Nikkei, other global stocks declined. This was due to concerns over fresh sanctions on Russia. Investors also monitored hawkish comments from US Fed officials. S&P 500 declined by 1.3%. On the other hand, FTSE rose by 0.7% as UK's services PMI rose to a 10-month high in Mar'22. Sensex declined by 0.7%, following global cues. Banking stocks declined the most. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	4-04-2022	5-04-2022	Change, %
Dow Jones	34,922	34,641	(0.8)
S & P 500	4,583	4,525	(1.3)
FTSE	7,559	7,614	0.7
Nikkei	27,736	27,788	0.2
Hang Seng	22,502	22,040	(2.1)
Shanghai Comp	3,283	3,252	(0.9)
Sensex	60,612	60,177	(0.7)
Nifty	18,053	17,957	(0.5)

Source: Bloomberg, Bank of Baroda Research | Markets in China and Hong Kong were closed on 5 Apr 2022

- Global currencies closed mixed against the dollar. DXY rose by 0.4% to its highest since May'20, tracking gains in US 10Y treasury yields. EUR dipped by 0.6% led by uncertainty surrounding France's presidential elections. JPY slid further by 0.7% as BoJ Governor expressed concerns over the rapid pace of depreciation in the currency. INR rose by 0.3% as oil prices eased a tad. Asian currencies are trading mixed today.

Fig 2 – Currencies

	4-04-2022	5-04-2022	% change
EUR/USD	1.0972	1.0905	(0.6)
GBP/USD	1.3116	1.3074	(0.3)
USD/JPY	122.79	123.60	(0.7)
USD/INR	75.55	75.33	0.3
USD/CNY	6.3629	6.3400	0.4

Source: Bloomberg, Bank of Baroda Research | Markets in China were closed on 5 Apr 2022

- Global yields closed higher. US 10Y yield rose the most by 15bps (highest since May'19). This was following Fed Governor Brainard's and San Francisco Fed President Daly's hawkish comments on rising rates and drawdown of balance sheet. 10Y yields in UK and Germany also rose by 11bps each, amidst



inflationary concerns. India's 10Y yield was stable at 6.9% ahead of RBI policy meeting.

Fig 3 – Bond 10Y yield

	4-04-2022	5-04-2022	change in bps
US	2.40	2.55	15
UK	1.55	1.65	11
Germany	0.51	0.61	11
Japan	0.21	0.22	1
China	2.78	2.79	1
India	6.90	6.90	0

Source: Bloomberg, Bank of Baroda Research | Markets in China were closed on 5 Apr 2022

- Yields on 91 and 364-days TBill fell a tad by 1bps ahead of the Rs 340bn auction.

Fig 4 – Short term rates

	4-04-2022	5-04-2022	% change
Tbill-91 days	3.72	3.71	(1)
Tbill-182 days	4.20	4.20	0
Tbill-364 days	4.54	4.53	(1)
G-Sec 2Y	4.97	5.01	3
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.29	0.30	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	4-04-2022	5-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(8.1)	(8.0)	0.1
Reverse repo	2.8	2.8	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-03-2022	4-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	1,120.8	237.9	(882.9)
Debt	(23.9)	45.9	69.8
Equity	1,144.7	192.0	(952.7)
Mutual funds (Rs cr)	(573.7)	(2,343.0)	(1,769.4)
Debt	(1,737.4)	609.1	2,346.4
Equity	1,163.7	(2,952.1)	(4,115.8)

Source: Bloomberg, Bank of Baroda Research | Data for Mutual Funds pertains to 30 and 31 Mar 2022

- Crude prices fell by 0.8% to US\$ 107/bbl as worries over muted demand due to rising Covid-19 cases in China, offset supply concerns resulting from fresh sanctions likely to be imposed on Russia. Gold prices moderated by 0.5%, led by hawkish comments from Fed officials.

Fig 7 – Commodities

	4-04-2022	5-04-2022	% change
Brent crude (US\$/bbl)	107.5	106.6	(0.8)
Gold (US\$/ Troy Ounce)	1,932.7	1,923.6	(0.5)
Copper (US\$/ MT)	10,451.8	10,433.0	(0.2)
Zinc (US\$/MT)	4,422.8	4,330.9	(2.1)
Aluminum (US\$/MT)	3,447.0	3,465.0	0.5

Source: Bloomberg, Bank of Baroda Research



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