

MORNING MOCHA

06 May 2022

ECONOMIST
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Investors continued to monitor central bank decisions globally. BoE also raised rates in line with its global peers, to its highest level (1%) in over 13-years. It also warned of recession risk. Fed's aggressive stance weighed in on global markets leading to a sharp sell-off. Dollar rose to a 20-year high and gold retreated. Markets will keep an eye out for the upcoming US jobs report scheduled to release later today and CPI print (scheduled to release next week).

- Global indices ended mixed. US stocks fell sharply amidst a broad-based sell-off as investors remained wary of Fed rate hikes and surging inflation. S&P 500 fell by 3.6% (largest single day decline since Jun'20). Dow Jones too plummeted by 3.1%, (biggest single day decline since Oct'20). On the other hand, Shanghai Comp rose by 0.7% on expectations of further stimulus. Sensex rose marginally by 0.1% led by recovery in power and technology stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	04-05-2022	05-05-2022	% change
Dow Jones	34,061	32,998	(3.1)
S & P 500	4,300	4,147	(3.6)
FTSE	7,493	7,503	0.1
Nikkei	26,387	26,848	1.7
Hang Seng	20,870	20,793	(0.4)
Shanghai Comp	3,047	3,068	0.7
Sensex	55,669	55,702	0.1
Nifty	16,678	16,683	0

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies closed lower as dollar rally resumed. DXY rose by 1.1% to a ~20-year high following an increase in US 10Y yield. GBP fell by 2.1% as BoE warned against the possibility of a recession. EUR depreciated by 0.8% as Germany's factory orders fell sharply in Mar'22. INR rose by 0.2% supported by RBI's rate hike. However it is trading lower today in line with other Asian currencies.

Fig 2 – Currencies

	04-05-2022	05-05-2022	% change
EUR/USD	1.0622	1.0542	(0.8)
GBP/USD	1.2631	1.2362	(2.1)
USD/JPY	129.09	130.20	(0.9)
USD/INR	76.42	76.26	0.2
USD/CNY	6.6085	6.6558	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Except UK and Japan (stable), global yields closed higher. US 10Y yield rose the most by 10bps following Fed's decision to hike policy rate by 50bps and



undergoing a faster pace of asset purchase roll back. Bank of England (BoE) also decided to raise policy rate for the fourth consecutive time by 25bps to 1% (13-year high), citing inflationary concerns (inflation estimated to reach 10% in Q4CY22). India's 10Y yield rose by 2bps (7.4%) as RBI's decision lingered on sentiments. It is trading higher at 7.44% today, ahead of auction results.

Fig 3 – Bond 10Y yield

	04-05-2022	05-05-2022	change in bps
US	2.93	3.04	10
UK	1.97	1.96	0
Germany	0.97	1.04	7
Japan	0.23	0.23	0
China	2.84	2.83	(1)
India	7.38	7.40	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-05-2022	05-05-2022	% change
Tbill-91 days	4.03	4.03	0
Tbill-182 days	4.42	4.51	9
Tbill-364 days	4.82	5.18	36
G-Sec 2Y	5.59	6.15	56
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.30	0.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-05-2022	05-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.7)	(5.7)	(0.2)
Reverse repo	5.0	5.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	02-05-2022	04-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(11.9)	(382.4)	(370.4)
Debt	(186.5)	(7.5)	179.0
Equity	174.6	(374.9)	(549.5)
Mutual funds (Rs cr)	(3,614.0)	2,934.6	6,548.6
Debt	(1,295.3)	209.1	1,504.4
Equity	(2,318.7)	2,725.5	5,044.2

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 0.7% to US\$ 111/bbl as EU plans to impose further restrictions on Russia, including an embargo on crude. Even OPEC+ agreed to stick to its earlier production plan and not increasing output as was anticipated.

Fig 7 – Commodities

	04-05-2022	05-05-2022	% change
Brent crude (US\$/bbl)	110.1	110.9	0.7
Gold (US\$/ Troy Ounce)	1,881.2	1,877.2	(0.2)
Copper (US\$/ MT)	9,468.0	9,512.5	0.5
Zinc (US\$/MT)	3,986.3	3,924.3	(1.6)
Aluminium (US\$/MT)	2,953.0	2,916.0	(1.3)

Source: Bloomberg, Bank of Baroda Research



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