

## MORNING MOCHA

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ECONOMIST  
**Sonal Badhan**

Global markets are closely tracking US-Iran talks and await US CPI print due this week for Fed policy guidance. In the European parliamentary hearing, ECB President also hinted at slower pace of policy normalisation.

- Equity indices closed mixed as investors continued to monitor developments surrounding Ukraine, global central banks' policy outlook and assessed inflationary risks. While Dow Jones and Hang Seng closed stable, Shanghai Comp rose by 2%. Nikkei fell by 0.7%. Sensex and Nifty both fell by 1.7% each, on account of fall in auto, FMCG and IT stocks.

**Fig 1 – Stock markets**

	04-02-2022	07-02-2022	% change
Dow Jones	35,090	35,091	0
S & P 500	4,501	4,484	(0.4)
FTSE	7,516	7,573	0.8
Nikkei	27,440	27,249	(0.7)
Hang Seng	24,573	24,580	0
Shanghai Comp	3,361	3,430	2.0
Sensex	58,645	57,621	(1.7)
Nifty	17,516	17,214	(1.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by 0.1%. GBP and CNY closed flat, while EUR fell (0.1%). ECB President stated that there was little need for big monetary policy tightening as of now. Markets await US CPI print this week to predict Fed policy guidance. INR is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	04-02-2022	07-02-2022	% change
EUR/USD	1.1449	1.1442	(0.1)
GBP/USD	1.3531	1.3536	0
USD/JPY	115.26	115.1	0.1
USD/INR	74.86	74.70	0.2
USD/CNY	6.3612	6.3623	0

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were closed on 7.02.2022

- Global yields closed mixed amidst inflationary and geopolitical risks. UK and Japan's 10Y yield closed stable. US 10Y yield rose a tad by 1bps (1.92%) as wages are increasing at more than expected pace (jobs data-Jan'22). Investors also await CPI print in the US, scheduled this week. India's 10Y yield is expected to inch up this week, on expectation of reverse repo hike by RBI.



**Fig 3 – Bond 10Y yield**

	04-02-2022	07-02-2022	% change
US	1.91	1.92	1
UK	1.41	1.41	0
Germany	0.21	0.23	2
Japan	0.20	0.20	0
China	2.71	2.72	1
India	6.89	6.87	(2)

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were closed on 7.02.2022

- Short end yields will be cautious ahead of RBI policy decision to watch for cues on rates, liquidity. Rs 260bn auction of T-Bill is scheduled on 10 Feb 2022.

**Fig 4 – Short term rates**

	03-02-2022	04-01-2022	% change
Tbill-91 days	3.85	3.87	2
Tbill-182 days	4.36	4.36	0
Tbill-365 days	4.60	4.60	0
G-Sec 2Y	4.87	5.10	23
AAACorp Spread 3Y	37.00	37.00	0
SONIA int rate benchmark	0.44	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were closed on 7.02.2022

**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; Note: Markets in India were closed on 7.02.2022

**Fig 6 – Capital market flows**

	03-02-2022	04-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(272.3)	(765.3)	(493.0)
Debt	7.8	(75.7)	(83.5)
Equity	(280.1)	(689.6)	(409.5)
Mutual funds (Rs cr)	3,290.1	3,014.2	(275.9)
Debt	381.4	(303.6)	(685.0)
Equity	2,908.7	3,317.9	409.2

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 31 Jan 2022 and 28 Jan 2022

- International oil prices fell by 0.6% (US\$ 93/bbl) tracking progress of US-Iran talks. Gold prices on the other hand rose by 0.7%, as inflation risks boosted safe-haven appeal.

**Fig 7 – Commodities**

	04-02-2022	07-02-2022	% change
Brent crude (US\$/bbl)	93.3	92.7	(0.6)
Gold (US\$/ Troy Ounce)	1,808.3	1,820.5	0.7
Copper (US\$/ MT)	9,870.5	9,806.8	(0.6)
Zinc (US\$/MT)	3,617.0	3,625.5	0.2
Aluminum (US\$/MT)	2,540.0	2,590.0	2.0

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)