

MORNING MOCHA

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Risk of elevated inflation continued to pose concerns for global markets. Germany's inflation print rose to its 30-year high. For Spain, it rose to its highest since May'85. Crude prices slipped by 4.9% as US announced to release 1mbpd from its Strategic Reserves for 6-months. Markets will closely watch US jobs report. On domestic front, Centre frontloaded 57% of its issuances in H1FY23. Thus, yields may rise.

- Global indices ended lower led by geopolitical uncertainty and inflation woes. Amongst other indices, Dow (1.6%) dropped the most followed by Hang Seng (1.1%). Further, yield curve inversion remain a concern signaling slowdown fears. Sensex (0.2%) too ended lower and was dragged down by metal stocks. However, it is trading higher today; other Asian stocks are trading mixed.

Fig 1 – Stock markets

	30-03-2022	31-03-2022	Change, %
Dow Jones	35,229	34,678	(1.6)
S & P 500	4,602	4,530	(1.6)
FTSE	7,579	7,516	(0.8)
Nikkei	28,027	27,821	(0.7)
Hang Seng	22,232	21,997	(1.1)
Shanghai Comp	3,267	3,252	(0.4)
Sensex	58,684	58,569	(0.2)
Nifty	17,498	17,465	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose by 0.1% as inflation concerns kept rate hike prospects higher. EUR fell by 0.8% from its 1-month high in the previous session, as growth concerns remained elevated. INR rose by 0.2% supported by moderation in oil prices. Asian currencies are trading higher today.

Fig 2 – Currencies

	30-03-2022	31-03-2022	% change
EUR/USD	1.1159	1.1067	(0.8)
GBP/USD	1.3134	1.3138	0.0
USD/JPY	121.83	121.70	0.1
USD/INR	75.91	75.79	0.2
USD/CNY	6.3477	6.3400	0.1

Source: Bloomberg, Bank of Baroda Research

- Except China and India (higher), global yields closed lower. Germany's 10Y yield fell the most by 10bps (lowest since CY09), as its government revised growth projections downwards for CY22 to 1.8% against 4.6% earlier. India's 10Y yield rose by 5bps (6.84%) ahead of the H1FY23 borrowing calendar. It is likely to open higher today, as government frontloaded 57% of issuance in H1FY23 (Rs 8.45tn).



Fig 3 – Bond 10Y yield

	30-03-2022	31-03-2022	Change in bps
US	2.35	2.34	(1)
UK	1.67	1.61	(6)
Germany	0.65	0.55	(10)
Japan	0.23	0.22	(1)
China	2.78	2.79	1
India	6.78	6.84	5

Source: Bloomberg, Bank of Baroda Research

- Auction calendar of TBill of Rs 4.3tn for Q1FY23 has been announced (91-days TBill: Rs 1.69tn, 182-days: Rs 1.59tn and 364-days: Rs 1.04tn).

Fig 4 – Short term rates

	30-03-2022	31-03-2022	% change
Tbill-91 days	3.81	3.77	(4)
Tbill-182 days	4.24	4.20	(4)
Tbill-364 days	4.56	4.45	(11)
G-Sec 2Y	4.97	4.97	0
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.27	0.28	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-03-2022	31-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.3)	(7.3)	(1.0)
Reverse repo	2.8	5.0	2.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-03-2022	30-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(113.3)	324.9	438.2
Debt	(90.0)	10.3	100.4
Equity	(23.3)	314.6	337.8
Mutual funds (Rs cr)	(2,346.7)	2,496.6	4,843.3
Debt	(1,643.3)	1,120.8	2,764.1
Equity	(703.4)	1,375.9	2,079.2

Source: Bloomberg, Bank of Baroda Research | Mutual fund data refers to 23 and 24 Mar 2022

- International oil prices fell by 4.9% supported by US President's decision to release 1mbpd from its Strategic Reserves for 6-months. Gold rose by 0.2% on daily basis and posted its best quarterly gain since the pandemic on account of ongoing geopolitical tensions.

Fig 7 – Commodities

	30-03-2022	31-03-2022	% change
Brent crude (US\$/bbl)	113.5	107.9	(4.9)
Gold (US\$/ Troy Ounce)	1,932.9	1,937.4	0.2
Copper (US\$/ MT)	10,360.5	10,367.5	0.1
Zinc (US\$/MT)	4,170.0	4,232.5	1.5
Aluminum (US\$/MT)	3,551.0	3,491.0	(1.7)

Source: Bloomberg, Bank of Baroda Research



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