

MORNING MOCHA

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ECONOMIST
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International oil prices fell below US\$100/bbl-a first since 16 Mar 2022, as investors are concerned about extended lockdown in China to curb Covid-19 cases. It is also expected that China will further announce monetary stimulus to propel growth (services PMI has seen easing and CPI remains within target). Even last month, China had loosened home buying rules in 60 municipalities and had pledged to ease regulatory crackdown on technology and property companies.

- Global indices ended lower. Investors remained cautious ahead of US inflation data, key central bank meetings, ongoing election in France, rising Covid-19 cases in China and developments surrounding the war. Asian stocks declined sharply led by Hang Seng (3%) and Shanghai Comp (2.6%). Sensex also fell by 0.8%, led by decline in tech and capital goods stocks. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	8-04-2022	11-04-2022	% change
Dow Jones	34,721	34,308	(1.2)
S & P 500	4,488	4,413	(1.7)
FTSE	7,670	7,618	(0.7)
Nikkei	26,986	26,822	(0.6)
Hang Seng	21,872	21,208	(3.0)
Shanghai Comp	3,252	3,167	(2.6)
Sensex	59,447	58,965	(0.8)
Nifty	17,784	17,675	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except GBP (flat) and EUR (higher), other global currencies closed lower. DXY rose by 0.1%. It remains near its 2-year high, supported by higher US 10Y yield. Gains in EUR closely tracked results of 1st round of French Presidential elections. INR fell by 0.1%, led by dollar demand by oil companies.

Fig 2 – Currencies

	8-04-2022	11-04-2022	% change
EUR/USD	1.0877	1.0884	0.1
GBP/USD	1.3025	1.3030	0
USD/JPY	124.34	125.37	(0.8)
USD/INR	75.91	75.96	(0.1)
USD/CNY	6.3650	6.3700	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed higher. Germany's 10Y yield rose the most by 11bps ahead of ECB meeting amidst growing concerns of inflation. US 10Y yield rose by 8bps (highest since Jan'19), ahead of inflation print and also tracking Chicago Fed President's comments on 50bps hike in next meetings. Notably for the first time in past 10 years China's 10Y yield was below the US 10Y yield led by policy



support in China. India's 10Y yield rose by 3bps to 7.15% following RBI's hawkish policy.

Fig 3 – Bond 10Y yield

	8-04-2022	11-04-2022	change in bps
US	2.70	2.78	8
UK	1.75	1.85	10
Germany	0.71	0.82	11
Japan	0.23	0.24	1
China	2.76	2.77	1
India	7.12	7.15	3

Source: Bloomberg, Bank of Baroda Research

- Yields on 182 and 364-days T-Bill rose by 14bps and 7bps respectively, ahead of Rs 340bn auction.

Fig 4 – Short term rates

	8-04-2022	11-04-2022	% change
Tbill-91 days	3.96	3.94	(2)
Tbill-182 days	4.25	4.39	14
Tbill-364 days	4.68	4.75	7
G-Sec 2Y	5.05	5.16	11
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	10-04-2022	11-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.2)	(7.0)	0.2
Reverse repo	0	5.8	5.8
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note Rs 80bn pertains to SDF as on 10 Apr 2022

Fig 6 – Capital market flows

	7-04-2022	8-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(623.4)	(58.3)	565.1
Debt	(30.4)	(6.1)	24.3
Equity	(593.0)	(52.2)	540.8
Mutual funds (Rs cr)	1,509.7	(1,522.7)	(3,032.4)
Debt	582.1	(1,560.5)	(2,142.5)
Equity	927.7	37.8	(889.9)

Source: Bloomberg, Bank of Baroda Research

- Crude prices fell by 4.2% to US\$ 99/bbl following plans of release of oil from strategic reserves and over concerns of extended lockdown in China. Gold however rose by 0.3%, as investor hold steady before US CPI print.

Fig 7 – Commodities

	8-04-2022	11-04-2022	% change
Brent crude (US\$/bbl)	102.8	98.5	(4.2)
Gold (US\$/ Troy Ounce)	1,947.5	1,953.5	0.3
Copper (US\$/ MT)	10,304.8	10,181.8	(1.2)
Zinc (US\$/MT)	4,310.0	4,333.0	0.5
Aluminum (US\$/MT)	3,374.5	3,248.0	(3.7)

Source: Bloomberg, Bank of Baroda Research



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