

## MORNING MOCHA

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ECONOMIST  
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Global markets monitored manufacturing PMI prints and awaited BoE and ECB's policy meet. DXY dropped by 0.2%. Global equity markets continued their bull run. In India, Sensex continued its upward momentum on the back of investment specific announcements made in the Union Budget.

- Global indices ended higher as investors turned their focus towards the ongoing earnings. FTSE was up by 1% led by uptick in manufacturing PMI. Amongst other indices, Sensex (1.5%) gained the most cheering the Budget announcements. It is trading higher today in line with other Asian stocks.

**Fig 1 – Stock markets**

	1-02-2022	31-01-2022	% change
Dow Jones	35,405	35,132	0.8
S & P 500	4,547	4,516	0.7
FTSE	7,536	7,464	1.0
Nikkei	27,078	27,002	0.3
Hang Seng	23,802	23,550	1.1
Shanghai Comp	3,361	3,394	(1.0)
Sensex	58,863	58,014	1.5
Nifty	17,577	17,340	1.4

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China will remain closed this week

- Except INR (lower), other global currencies closed higher against the dollar. DXY fell by 0.2% as US ISM manufacturing PMI dipped in Jan'22. On the other hand, GBP (0.6%) and EUR (0.3%) rose supported by robust manufacturing PMI print. INR depreciated by 0.2% amidst concerns over fiscal deficit and elevated borrowings. However, it is trading lower today in line with other Asian currencies.

**Fig 2 – Currencies**

	1-02-2022	31-01-2022	% change
EUR/USD	1.1272	1.1235	0.3
GBP/USD	1.3522	1.3447	0.6
USD/JPY	114.71	115.11	0.3
USD/INR	74.8013	74.6225	(0.2)
USD/CNY	6.3612	6.3682	0.1

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China will remain closed this week

- Global yields closed mixed. Germany's 10Y yield rose to its highest since Apr'19, as inflation (4.9%, YoY in Jan'22) remained fairly above the central bank's target. UK's 10Y yield closed flat awaiting BoE's policy decision. India's 10Y yield rose sharply by 17bps (6.85%-highest since Jun'19) on account of higher government borrowing program in FY23 (Rs 14.95tn). India's 10Y yield is trading further higher at 6.93% today.



**Fig 3 – Bond 10Y yield**

	1-02-2022	31-01-2022	% change
US	1.79	1.78	1
UK	1.30	1.30	(0)
Germany	0.04	0.01	3
Japan	0.18	0.18	0
China	2.71	2.73	(2)
India	6.85	6.68	17

Source: Bloomberg, Bank of Baroda Research, Note: Markets in China will remain closed this week

- Short end yields inched up, following announcement of higher than expected gross borrowing program in FY23. Short-term borrowing target for FY22 was also revised upward in the budget.

**Fig 4 – Short term rates**

	1-02-2022	31-01-2022	% change
Tbill-91 days	3.73	3.71	2
Tbill-182 days	4.16	4.15	1
Tbill-365 days	4.51	4.51	0
G-Sec 2Y	4.90	4.81	9
AAACorp Spread 3Y	6.00	5.89	11
SONIA int rate benchmark	32.04	32.04	0
US SOFR	42.59	42.59	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	1-02-2022	31-01-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.6)	(6.2)	(0.4)
Reverse repo*	3.7	3.7	0
Repo*	0	0	0

Source: Bloomberg, Bank of Baroda Research \*Variable rate outstanding

**Fig 6 – Capital market flows**

	31-01-2022	28-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(314.2)	(552.3)	238.1
Debt	(42.4)	122.9	(165.3)
Equity	(271.7)	(675.2)	403.4
Mutual funds (Rs cr)	3,387.0	1,436.7	1,950.3
Debt	78.5	311.2	(232.8)
Equity	3,308.5	1,125.5	2,183.1

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 25 Jan 2022 and 24 Jan 2022

- International oil prices fell by 2.2% (US\$ 89/bbl) on speculations that OPEC+ could make additions to supply targets in the meeting due this week. Gold prices rose by 0.2%, as Russia-Ukraine tensions impacted investor sentiments.

**Fig 7 – Commodities**

	1-02-2022	31-01-2022	% change
Brent crude (US\$/bbl)	89.2	91.2	(2.2)
Gold (US\$/ Troy Ounce)	1801.2	1797.2	0.2
Copper (US\$/ MT)	9737.5	9578.0	1.7
Zinc (US\$/MT)	3622.0	3606.0	0.4
Aluminum (US\$/MT)	2515.0	2495.0	0.8

Source: Bloomberg, Bank of Baroda Research



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