

## MORNING MOCHA

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Global markets remained on edge as hostilities between Russia and Ukraine continued. Commodity prices rose steeply led by oil, exacerbating concerns over rising inflation. Fresh sanctions on Russia also spooked markets. Bond yields in UK, Germany and US fell sharply. Apart from the trajectory of the war and rising commodity prices, investors also await Fed Chair's testimony and US payroll numbers due later in the week.

- Global stocks closed mixed. Equity markets in US and UK closed lower as countries imposed fresh sanctions on Russia. Dow Jones fell by 1.8%, followed by FTSE (down by 1.7%). However, Asian stocks ended higher, led by Nikkei (up by 1.2%). Shanghai Comp rose by 0.8% as China's official services PMI rose in Feb'22. Sensex is trading lower today, in line with other Asian equities.

**Fig 1 – Stock markets**

	28-02-2022	1-03-2022	% change
Dow Jones	33,893	33,295	(1.8)
S & P 500	4,374	4,306	(1.5)
FTSE	7,458	7,330	(1.7)
Nikkei	26,527	26,845	1.2
Hang Seng	22,713	22,762	0.2
Shanghai Comp	3,462	3,489	0.8
Sensex	55,859	56,247	0.7
Nifty	16,658	16,794	0.8

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

- Except JPY (higher) and CNY (flat), other global currencies closed lower. DXY rose by 0.7% to its highest since Jun'20 on safe-haven demand, as Russia-Ukraine conflict continued to linger on. EUR fell the most by 0.8% to a near 19-month low. GBP also fell by 0.7% even as UK's manufacturing PMI rose to a 3-month high. Asian currencies are trading lower today.

**Fig 2 – Currencies**

	28-02-2022	1-03-2022	% change
EUR/USD	1.1219	1.1125	(0.8)
GBP/USD	1.3420	1.3325	(0.7)
USD/JPY	115.00	114.92	0.1
USD/INR	75.29	75.34	(0.1)
USD/CNY	6.3092	6.3119	0

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

- Barring China and India, other global yields fell sharply. 10Y yields in UK (28bps), Germany (21bps) and US (10bps) fell. Investor sentiments were impacted due to intensification of Russia's attack on Ukraine. Steep rise in oil prices (+3.9%) also impacted sentiments. Thus, India's 10Y yield rose by 2bps.



**Fig 3 – Bond 10Y yield**

	28-02-2022	1-03-2022	% change
US	1.83	1.73	(10)
UK	1.41	1.13	(28)
Germany	0.14	(0.07)	(21)
Japan	0.19	0.18	(2)
China	2.79	2.82	3
India	6.75	6.77	2

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

- Except 182-day T-bill (flat), other T-bill yields rose. Yield on the 364-day paper rose by 6bps. Centre's announcement that it will borrow more than the planned amount in Mar'22 (Rs 1.86tn versus Rs 1.26tn), through T-bills impacted yields.

**Fig 4 – Short term rates**

	25-02-2022	28-02-2022	% change
Tbill-91 days	3.69	3.68	1
Tbill-182 days	4.15	4.14	0
Tbill-364 days	4.43	4.47	6
G-Sec 2Y	4.85	4.85	4
SONIA int rate benchmark	0.44	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

**Fig 5 – Liquidity**

Rs tn	25-02-2022	28-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.2)	(7.4)	(0.2)
Reverse repo	0.5	5.4	4.9
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Markets in India were closed on 1 Mar 2022

**Fig 6 – Capital market flows**

	24-02-2022	25-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(892.7)	(517.6)	375.1
Debt	(4.1)	71.4	75.5
Equity	(888.6)	(589.0)	299.6
Mutual funds (Rs cr)	2,637.2	2,021.5	(615.7)
Debt	2,003.0	1,307.9	(695.1)
Equity	634.3	713.7	79.4

Source: Bloomberg, Bank of Baroda Research; Note: Data for Mutual Fund inflows pertains to 17 Feb 2022 and 18 Feb 2022

- International oil prices surged 3.9% to US\$ 105/bbl, despite IEA's assurance that it will release 60mn barrels from global oil reserves. Tensions between Russia and Ukraine pushed oil prices up. Gold prices too rose by 1.9%.

**Fig 7 – Commodities**

	28-02-2022	1-03-2022	% change
Brent crude (US\$/bbl)	101.0	105.0	3.9
Gold (US\$/ Troy Ounce)	1,909.0	1,945.3	1.9
Copper (US\$/ MT)	9,919.0	10,092.0	1.7
Zinc (US\$/MT)	3,687.8	3,766.5	2.1
Aluminum (US\$/MT)	3,368.5	3,478.0	3.3

Source: Bloomberg, Bank of Baroda Research



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