

## MORNING MOCHA

22 March 2022

ECONOMIST  
**Sonal Badhan**

Global markets are tracking comments of major Central Bank heads and are also assessing the economic impact of the ongoing war. Oil prices have again jumped sharply (US\$ 116/bbl) as EU also mulls ban on Russian oil imports. Rising international prices have begun showing impact on the domestic level as well, with increase in wholesale and retail prices of petrol and diesel. LPG prices are also up.

- Global markets closed mixed. Dow Jones fell by 0.6% as US Fed Chair underlined the need for aggressive rate hikes to tackle surging inflation. On the other hand, FTSE rose by 0.5% led by gains in energy stocks amidst a spike in oil prices. Sensex fell by 1%, dragged by power and banking stocks. It is trading further lower today, while other Asian stocks are trading higher.

**Fig 1 – Stock markets**

	18-03-2022	21-03-2022	Change, %
Dow Jones	34,755	34,553	(0.6)
S & P 500	4,463	4,461	(0.0)
FTSE	7,405	7,442	0.5
Nikkei	26,653	26,827	0.7
Hang Seng	21,412	21,221	(0.9)
Shanghai Comp	3,251	3,254	0.1
Sensex	57,864	57,292	(1.0)
Nifty	17,287	17,118	(1.0)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022 | Markets in Japan were closed on 21 Mar 2022

- Except CNY (higher), other global currencies closed lower. DXY rose by 0.3% supported by hawkish comments from Fed Chair. EUR fell by 0.3% as ECB President stated that the Fed and ECB are likely to be “out of sync in the foreseeable future”. JPY depreciated further by 0.3% to a more than 6-year low as BoJ continued to remain fairly dovish. INR fell by 0.4% as oil prices inched up again. It is likely to open weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	18-03-2022	21-03-2022	% change
EUR/USD	1.1051	1.1016	(0.3)
GBP/USD	1.3178	1.3169	(0.1)
USD/JPY	119.17	119.47	(0.3)
USD/INR	75.81	76.13	(0.4)
USD/CNY	6.3612	6.3559	0.1

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

- Except China (higher), global yields closed lower. UK's 10Y yield fell the most by 7bps, followed by US 10Y (2bps) and Germany's 10Y yield (1bps). Investor sentiments were impacted by growing worries over the economic impact of ongoing war between Russia and Ukraine. India's 10Y yield fell a tad by 1bps.



**Fig 3 – Bond 10Y yield**

	18-03-2022	21-03-2022	% change
US	2.17	2.15	(2)
UK	1.57	1.50	(7)
Germany	0.39	0.37	(1)
Japan	0.21	0.21	0
China	2.80	2.81	1
India	6.79	6.78	(1)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022 | Markets in Japan were closed on 21 Mar 2022

- India's T-bill rates remained range bound, with yield on 182-day paper falling by 1bps and that on 364-day paper rising by 1bps.

**Fig 4 – Short term rates**

	18-03-2022	21-03-2022	% change
Tbill-91 days	3.73	3.73	0
Tbill-182 days	4.27	4.26	(1)
Tbill-364 days	4.58	4.59	1
G-Sec 2Y	4.98	4.97	(1)
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.30	0.30	0

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

**Fig 5 – Liquidity**

Rs tn	17-03-2022	21-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(4.3)	(5.1)	(0.8)
Reverse repo	4.0	4.6	0.6
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

**Fig 6 – Capital market flows**

	16-03-2022	17-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	13.4	311.9	298.5
Debt	(57.5)	(99.2)	(41.7)
Equity	70.9	411.1	340.2
Mutual funds (Rs cr)	86.8	716.4	629.7
Debt	(412.6)	603.9	1,016.5
Equity	499.4	112.5	(386.9)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

- Crude prices jumped by 7.1% (US\$ 116/bbl) following an attack on Saudi oil refinery and OPEC's report showing that some members are still falling short of their supply quotas. Gold prices too rose by 0.7%.

**Fig 7 – Commodities**

	18-03-2022	21-03-2022	% change
Brent crude (US\$/bbl)	107.9	115.6	7.1
Gold (US\$/ Troy Ounce)	1,921.6	1,935.9	0.7
Copper (US\$/ MT)	10,327.0	10,284.6	(0.4)
Zinc (US\$/MT)	3,822.5	3,947.5	3.3
Aluminum (US\$/MT)	3,381.0	3,521.0	4.1

Source: Bloomberg, Bank of Baroda Research



## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com