

MORNING MOCHA

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ECONOMIST
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Global markets continue to monitor reaction to Russia's recognition of 2 separatist regions in Eastern Ukraine and moving its troops in those areas. US and UK have placed sanctions on major Russian banks and wealthy individuals. Germany has stalled certification of Nord Stream 2 gas pipeline.

- Except FTSE (higher), other global equity markets ended lower as Russia-Ukraine conflict deepened further. Hang Seng fell the most by 2.7%, followed by Nikkei (down by 1.7%) and Dow Jones (down by 1.4%). Sensex fell for the fifth consecutive session and dropped by 0.7%. Real estate and metal stocks led the decline. However it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	21-02-2022	22-02-2022	% change
Dow Jones	34,079	33,597	(1.4)
S & P 500	4,349	4,305	(1.0)
FTSE	7,484	7,494	0.1
Nikkei	26,911	26,450	(1.7)
Hang Seng	24,170	23,520	(2.7)
Shanghai Comp	3,491	3,457	(1.0)
Sensex	57,684	57,301	(0.7)
Nifty	17,207	17,092	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY fell by 0.1% despite positive macro data (PMI and Conference Board consumer confidence index), as US President announced sanctions on Russia. On the other hand, EUR rose by 0.1% as Germany's IFO business climate index rose more than expected in Feb'22. INR depreciated by 0.5% led by higher oil prices and FPI outflows. Asian currencies are trading higher today.

Fig 2 – Currencies

	21-02-2022	22-02-2022	% change
EUR/USD	1.1311	1.1325	0.1
GBP/USD	1.3602	1.3585	(0.1)
USD/JPY	114.74	115.08	(0.3)
USD/INR	74.52	74.88	(0.5)
USD/CNY	6.3352	6.3264	0.1

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China (lower), other major global yields closed higher. UK, India (6bps each), and Germany's (4bps) 10Y yield rose the most. US 10Y yield was up by 1bps to 1.94%. Economic sanctions introduced by UK, Germany and US impacted investor sentiments. India's 10Y yield also reacted to Centre's plan to go ahead with the planned borrowing schedule for this week.



Fig 3 – Bond 10Y yield

	21-02-2022	22-02-2022	% change
US	1.93	1.94	1
UK	1.41	1.47	6
Germany	0.21	0.24	4
Japan	0.21	0.20	(2)
China	2.85	2.84	(1)
India	6.69	6.75	6

Source: Bloomberg, Bank of Baroda Research

- T-bill yields on shorter-end continued to inch down, while that at the longer-end inched further up. Yields on 91-day and 182-day T-Bill fell by 3bps and 1bps, respectively. It rose by 4bps for 364-day T-bill.

Fig 4 – Short term rates

	21-02-2022	22-02-2022	% change
Tbill-91 days	3.69	3.68	(3)
Tbill-182 days	4.15	4.14	(1)
Tbill-364 days	4.43	4.47	4
G-Sec 2Y	4.85	4.85	2
SONIA int rate benchmark	0.44	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-02-2022	22-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.8)	(7.0)	(0.2)
Reverse repo	7.1	6.4	(0.5)
Repo	0	0	0

Source: Bloomberg, Bank of Baroda Research

Fig 6 – Capital market flows

	18-02-2022	21-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(389.8)	(181.3)	208.5
Debt	18.4	(77.3)	(95.7)
Equity	(408.2)	(104.0)	304.2
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 rose by another 1.5% (US\$ 97/bbl), inching closer towards the US\$ 100/bbl mark, as investors are watching developments in Eastern Europe. Gold prices fell by 0.4%.

Fig 7 – Commodities

	21-02-2022	22-02-2022	% change
Brent crude (US\$/bbl)	95.4	96.8	1.5
Gold (US\$/ Troy Ounce)	1,906.3	1,898.6	(0.4)
Copper (US\$/ MT)	9,946.0	9,962.3	0.2
Zinc (US\$/MT)	3,582.0	3,627.0	1.3
Aluminum (US\$/MT)	3,279.5	3,303.0	0.7

Source: Bloomberg, Bank of Baroda Research



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