

MORNING MOCHA

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ECONOMISTS

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Global equity and bond indices ended lower, as investors remained cautious awaiting FOMC comments. Tech stocks globally were impacted on anticipation of higher interest rate. PBOC set the midpoint at 6.3411 USD/CNY, 0.13% stronger than the previous fix of 6.3492. In India, RBI conducted another surprise 3-day Variable rate repo auction of Rs 750bn, with weighted average rate at 4.11%.

- Except Hang Seng (higher), global indices closed lower. Markets in US and Europe fell the most. Weaker than expected corporate earnings results in US, growing tensions at Russia-Ukraine border, and weak retail sales print of UK (-3.7% in Dec'21 versus est.: -0.6%, MoM), impacted investor sentiments. Sensex also fell by 0.7%. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	21-01-2022	20-01-2022	% change
Dow Jones	34,265	34,715	(1.3)
S & P 500	4,398	4,483	(1.9)
FTSE	7,494	7,585	(1.2)
Nikkei	27,522	27,773	(0.9)
Hang Seng	24,966	24,952	0.1
Shanghai Comp	3,523	3,555	(0.9)
Sensex	59,037	59,465	(0.7)
Nifty	17,617	17,757	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Except CNY (flat) and GBP (lower), other global currencies closed higher. DXY fell by 0.1% in line with a dip in US 10Y yield as investors await comments from FOMC. GBP depreciated by 0.3% as UK's retail sales fell. INR rose by 0.1% as oil prices eased. However, it is trading lower in line with other Asian currencies.

Fig 2 – Currencies

	21-01-2022	20-01-2022	% change
EUR/USD	1.1344	1.1312	0.3
GBP/USD	1.3553	1.36	(0.3)
USD/JPY	113.68	114.11	0.4
USD/INR	74.4275	74.51	0.1
USD/CNY	6.3387	6.3411	0

Source: Bloomberg, Bank of Baroda Research

- Except India (higher), global 10Y yields closed lower. US and UK's 10Y yield fell the most by 5bps each, ahead of the FOMC meeting and tracking poor data points in UK (Consumer sentiment-lowest since Feb'21). India's 10Y yield rose by 1bps (6.63%) on account of Rs 20bn devolution of 5.74%GS2026 security. Asian bonds are trading lower today, India's 10Y yield is trading higher at 6.65%.



Fig 3 – Bond 10Y yield

	21-01-2022	20-01-2022	% change
US	1.76	1.80	(5)
UK	1.17	1.23	(5)
Germany	(0.07)	(0.02)	(4)
Japan	0.14	0.15	(1)
China	2.71	2.73	(2)
India	6.63	6.61	1

Source: Bloomberg, Bank of Baroda Research

- 365-days T-Bill rose the most by 6bps followed by 182-days T-Bill (+5bps), tracking RBI's fine tuning operations and also on account of sharp rise in implicit yield of 5.74% GS 2026 security (+12bps, compared to previous auction).

Fig 4 – Short term Rates

	21-01-2022	20-01-2022	% change
Tbill-91 days	3.70	3.68	2
Tbill-182 days	4.09	4.04	5
Tbill-365 days	4.47	4.41	6
G-Sec 2Y	4.71	4.68	2
AAACorp Spread 3Y	32	32	0
SONIA int rate benchmark	0.20	0.20	0
US SOFR	0.04	0.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity Situation

Rs tn	21-01-2022	20-01-2022	Absolute change
Net Liquidity (-Surplus/+deficit)	(5.7)	(5.6)	0.1
Reverse Repo*	6.8	6.8	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	20-01-2022	19-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(612.1)	(331.8)	(280.3)
Debt	5.8	21.9	(16.1)
Equity	(617.9)	(353.7)	(264.2)
Mutual funds (Rs cr)	443.6	(218.3)	661.9
Debt	(946.7)	448.4	(1,395.1)
Equity	1,390.3	(666.7)	2,057.0

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 19 and 18 Jan 2022

- Crude prices fell by 0.6% (US\$ 88/bbl) following surprise rise in US crude inventories. Gold also fell by 0.2% ahead of US Fed meeting this week.

Fig 7 – Commodities

	21-01-2022	20-01-2022	% change
Brent crude (US\$/bbl)	87.9	88.4	(0.6)
Gold	1835.4	1839.3	(0.2)

Source: Bloomberg, Bank of Baroda Research



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