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Expectations of a 50bps rate hike by the Fed next week, led to a sharp jump in US 10Y yield. DXY too strengthened to a 5-year high. On the other hand, BoJ reiterated its ultra-dovish stance. Elsewhere, economic outlook in the Euro Area dimmed further as Germany's economy ministry slashed its growth forecast for CY22 to 2.2% from 3.6%. Further, consumer sentiment in both France and Germany weakened. On the domestic front, net direct tax collections rose to a historic high of Rs 14.09tn in FY22. Government also increased P&K fertiliser subsidy to Rs 609bn to support farmers against a sharp increase in global prices.

- Except Japan and India, stocks elsewhere ended in green. Shanghai Comp rose by 2.5% on hopes of further stimulus to support growth. Better than expected industrial profits in Mar'22 also boosted sentiments. US stocks made gains, buoyed by strong earnings reports. Sensex fell by 0.9% amidst a decline in power, oil and gas and consumer durables stocks. However, it is trading higher today, in line with other Asian markets.

Fig 1 – Stock markets

	26-04-2022	27-04-2022	% change
Dow Jones	33,240	33,302	0.2
S & P 500	4,175	4,184	0.2
FTSE	7,386	7,426	0.5
Nikkei	26,700	26,387	(1.2)
Hang Seng	19,935	19,946	0.1
Shanghai Comp	2,886	2,958	2.5
Sensex	57,357	56,819	(0.9)
Nifty	17,201	17,038	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Barring INR (higher), other global currencies closed lower. DXY rose by 0.6% to a 5-year high, as US 10Y yield surged. EUR depreciated by 0.8% (5-year low) amidst worsening economic outlook. GBP too declined by 0.2% to a 2-year low as UK's retail sales dipped sharply in Apr'22. INR rose by 0.1%. However, it is trading lower today in line with other Asian currencies.

Fig 2 – Currencies

	26-04-2022	27-04-2022	% change
EUR/USD	1.0638	1.0557	(0.8)
GBP/USD	1.2574	1.2545	(0.2)
USD/JPY	127.23	128.43	(0.9)
USD/INR	76.58	76.53	0.1
USD/CNY	6.5566	6.5606	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Barring Germany (lower) and Japan (flat), other global yields closed higher. US 10Y yield rose the most by 11bps (2.83%) as investors await US GDP print.



Data is expected to reinforce the view of aggressive Fed tightening. India's 10Y yield rose by 2bps ahead of scheduled auction on Friday and following MPC member Jayanth Varma's comments on signalling of future rate hikes.

Fig 3 – Bond 10Y yield

	26-04-2022	27-04-2022	change in bps
US	2.72	2.83	11
UK	1.80	1.81	2
Germany	0.82	0.80	(1)
Japan	0.25	0.25	0
China	2.83	2.85	2
India	7.05	7.08	3

Source: Bloomberg, Bank of Baroda Research

- In the latest Tbill auction conducted by RBI (Rs 330bn), yield on 91-day paper rose by 2bps (compared with last week), while yield on 182-paper fell by 1bps.

Fig 4 – Short term rates

	26-04-2022	27-04-2022	% change
Tbill-91 days	3.96	3.97	1
Tbill-182 days	4.23	4.39	16
Tbill-364 days	4.75	4.79	4
G-Sec 2Y	5.45	5.44	(1)
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.27	0.27	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-04-2022	27-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.3)	(5.2)	0.1
Reverse repo	5.0	5.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-04-2022	26-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(436.0)	(43.6)	392.4
Debt	(91.4)	(57.2)	34.2
Equity	(344.6)	13.6	358.2
Mutual funds (Rs cr)	2,832.9	5,176.7	2,343.8
Debt	932.9	2,746.3	1,813.4
Equity	1,900.0	2,430.4	530.4

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 0.3%, amidst a modest rise in US stockpiles, while inventories fell (lowest since May'08). Gold prices fell by 1% as dollar rallied.

Fig 7 – Commodities

	26-04-2022	27-04-2022	% change
Brent crude (US\$/bbl)	105.0	105.3	0.3
Gold (US\$/ Troy Ounce)	1,905.5	1,886.1	(1.0)
Copper (US\$/ MT)	9,863.5	9,866.5	0
Zinc (US\$/MT)	4,241.5	4,278.0	0.9
Aluminum (US\$/MT)	3,064.5	3,093.5	0.9

Source: Bloomberg, Bank of Baroda Research



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