

MORNING MOCHA

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ECONOMIST

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Led by hopes of possible negotiations between Russia and Ukraine, global equity indices ended higher. Crude oil prices dipped lower (US\$ 110/bbl) owing to surge in Covid-19 cases in China. Notably, investors closely monitored global developments as concerns over inverted yield pulled the US 10Y (10 and 5 year paper) yield lower. On the domestic front, RBI has announced another US\$ 5bn swap.

- Barring Shanghai Comp, other global indices ended higher as peace talks between Russia and Ukraine gained more significance. Dow rose by 1% ahead of the key ADP job reports (private payrolls). Sensex (0.6%) rallied for the 2nd straight day led by gains in real estate and consumer durable stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	28-03-2022	29-03-2022	Change, %
Dow Jones	34,956	35,294	1.0
S & P 500	4,576	4,632	1.2
FTSE	7,473	7,537	0.9
Nikkei	27,944	28,252	1.1
Hang Seng	21,685	21,928	1.1
Shanghai Comp	3,215	3,204	(0.3)
Sensex	57,593	57,944	0.6
Nifty	17,222	17,325	0.6

Source: Bloomberg, Bank of Baroda Research

- Except GBP (flat), other global currencies closed higher. DXY fell by 0.7% as yield curve inversion happened for the first time since CY06, which signals weakening economic conditions. INR rose by 0.2% supported by lower oil prices. Asian currencies are trading lower.

Fig 2 – Currencies

	28-03-2022	29-03-2022	% change
EUR/USD	1.0985	1.1086	0.9
GBP/USD	1.3088	1.3093	0
USD/JPY	123.86	122.88	0.8
USD/INR	76.17	75.99	0.2
USD/CNY	6.3721	6.3642	0.1

Source: Bloomberg, Bank of Baroda Research

- US 10Y yield fell the most by 6 bps as yield curve inversion happened for the 5 and 10 year paper, which generally signals weakening economic conditions. Investors are also monitoring jobs report. Germany's 10Y yield rose the most by 6bps as inflationary concerns raised expectations of rate hike by ECB. India's 10Y yield fell by 2bps on account of moderation in oil prices.



Fig 3 – Bond 10Y yield

	28-03-2022	29-03-2022	% change
US	2.46	2.39	(6)
UK	1.62	1.64	2
Germany	0.58	0.63	6
Japan	0.25	0.25	0
China	2.79	2.79	0
India	6.84	6.82	(2)

Source: Bloomberg, Bank of Baroda Research

- India's 91-day TBill rose by 17bps. Market is also eyeing Rs 370bn auction scheduled today.

Fig 4 – Short term rates

	28-03-2022	29-03-2022	% change
Tbill-91 days	3.75	3.92	17
Tbill-182 days	4.18	4.22	4
Tbill-364 days	4.57	4.57	0
G-Sec 2Y	5.01	5.01	1
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.28	0.28	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	28-03-2022	29-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.9)	(6.3)	(0.4)
Reverse repo	2.8	2.8	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-03-2022	28-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(85.5)	(133.1)	(47.5)
Debt	96.9	(81.9)	(178.7)
Equity	(182.4)	(51.2)	131.2
Mutual funds (Rs cr)	(2,346.7)	2,496.6	4,843.3
Debt	(1,643.3)	1,120.8	2,764.1
Equity	(703.4)	1,375.9	2,079.2

Source: Bloomberg, Bank of Baroda Research | Mutual fund data refers to 23 and 24 Mar 2022

- International oil prices fell by 2% amidst concerns over lockdown in Shanghai. However, US inventory data showed drawdown. Investors are also eyeing possible negotiation between Russia and Ukraine. Gold prices edged down by 0.2% (one month low) supported by rate hike expectation by Fed.

Fig 7 – Commodities

	28-03-2022	29-03-2022	% change
Brent crude (US\$/bbl)	112.5	110.2	(2.0)
Gold (US\$/ Troy Ounce)	1,922.8	1,919.4	(0.2)
Copper (US\$/ MT)	10,341.0	10,314.5	(0.3)
Zinc (US\$/MT)	4,098.5	4,033.0	(1.6)
Aluminum (US\$/MT)	3,614.0	3,436.0	(4.9)

Source: Bloomberg, Bank of Baroda Research



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