

## MORNING MOCHA

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ECONOMIST

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China's manufacturing and non-manufacturing PMI contracted to 49.5 and 48.4 respectively in Mar'22 led by disruption in economic activities due to covid-19 outbreak. US ADP private payrolls came in higher than expectation (455K jobs added) in Mar'22, ahead of the non-farm payrolls report. Crude prices inched up by 2.9% as US crude inventory fell more than expected.

- Global indices ended mixed as investors monitored ongoing geo political developments, with some countries dismissing Russia's military pullback from Ukraine. Nikkei (0.8%) dropped the most followed by S&P 500. On the other hand, Shanghai Comp (2%) ended higher. Sensex (1.3%) too ended in green led by gains in real estate and banking stocks. It is trading lower today.

**Fig 1 – Stock markets**

	29-03-2022	30-03-2022	Change, %
Dow Jones	35,294	35,229	(0.2)
S & P 500	4,632	4,602	(0.6)
FTSE	7,537	7,579	0.6
Nikkei	28,252	28,027	(0.8)
Hang Seng	21,928	22,232	1.4
Shanghai Comp	3,204	3,267	2.0
Sensex	57,944	58,684	1.3
Nifty	17,325	17,498	1.0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher. DXY fell by 0.6% as US yield curve inversion (2Y and 10Y paper) elevated growth concerns. JPY rose the most by 0.9% tracking meeting between the Governor and Prime Minister. EUR rose by 0.7% (1-month high) tracking developments between Russia and Ukraine. INR rose by 0.1% despite higher oil prices. Asian currencies are trading higher today.

**Fig 2 – Currencies**

	29-03-2022	30-03-2022	% change
EUR/USD	1.1086	1.1159	0.7
GBP/USD	1.3093	1.3134	0.3
USD/JPY	122.88	121.83	0.9
USD/INR	75.99	75.91	0.1
USD/CNY	6.3642	6.3477	0.3

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. Despite a tight labour market, US 10Y yield fell by 5bps as yield curve inversion occurred for the first time since CY19. Japan's 10Y yield fell by 3bps on account of monetary stimulus. Germany's 10Y yield rose by 1bps on inflationary concerns. India's 10Y yield fell by 4bps ahead of H1FY23 borrowing calendar.



**Fig 3 – Bond 10Y yield**

	29-03-2022	30-03-2022	% change
US	2.39	2.35	(5)
UK	1.64	1.67	2
Germany	0.63	0.65	1
Japan	0.25	0.23	(3)
China	2.79	2.78	(1)
India	6.82	6.78	(4)

Source: Bloomberg, Bank of Baroda Research

- Auction results showed that cut off yield for 91 days TBill rose by 4bps, while for 182 and 364 days, it fell by 5 and 4bps respectively.

**Fig 4 – Short term rates**

	29-03-2022	30-03-2022	% change
Tbill-91 days	3.92	3.81	(11)
Tbill-182 days	4.22	4.24	2
Tbill-364 days	4.57	4.56	(1)
G-Sec 2Y	5.01	4.97	(4)
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	29-03-2022	30-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(6.3)	(7.3)	(1.0)
Reverse repo	2.8	5.0	2.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	28-03-2022	29-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(133.1)	(113.3)	19.8
Debt	(81.9)	(90.0)	(8.2)
Equity	(51.2)	(23.3)	27.9
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 rose by 2.9% as US crude inventory fell more than expected. There are reports of US President planning to release 1mbpd from Strategic Reserves for 6-months, which might provide some comfort to oil prices. Gold recovered from 1-month low and rose by 0.7% as dollar weakened.

**Fig 7 – Commodities**

	29-03-2022	30-03-2022	% change
Brent crude (US\$/bbl)	110.2	113.5	2.9
Gold (US\$/ Troy Ounce)	1,919.4	1,932.9	0.7
Copper (US\$/ MT)	10,314.5	10,360.5	0.4
Zinc (US\$/MT)	4,033.0	4,170.0	3.4
Aluminum (US\$/MT)	3,436.0	3,551.0	3.3

Source: Bloomberg, Bank of Baroda Research



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