

MORNING MOCHA

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ECONOMIST
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Worsening Russia and Ukraine situation continued to impact global markets. FTSE fell the most amidst muted economic outlook in Europe. PMI survey results again pointed out considerable risk to input prices. Oil prices showed slight moderation on account of rise in US crude stocks (highest level since Sep'08). Palladium rose to its 7-month high, as Russia accounts for 40% of global production. Markets are awaiting jobs report in the US.

- Barring Nikkei and Hang Seng (higher), other global indices closed lower. FTSE dropped the most (2.6%), followed by markets in India and US. Global markets reacted to rising tensions between Russia and Ukraine. In Europe, energy, travel and banking stocks were hit the most. Today as well, Sensex is trading lower, in line with other Asian equities.

Fig 1 – Stock markets

	2-03-2022	3-03-2022	% change
Dow Jones	33,891	33,795	(0.3)
S & P 500	4,387	4,363	(0.5)
FTSE	7,430	7,239	(2.6)
Nikkei	26,393	26,577	0.7
Hang Seng	22,344	22,467	0.6
Shanghai Comp	3,484	3,481	(0.1)
Sensex	55,469	55,103	(0.7)
Nifty	16,606	16,498	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except JPY (higher) and CNY (flat), other global currencies closed lower. DXY rose by 0.4% on safe-haven demand and comments of Fed Chair. Powell stated that Fed stands ready to hike rates more aggressively if inflation remains high. EUR (0.5%) and GBP (0.4%) fell the most. INR too depreciated by 0.3%, following global cues. Asian currencies are trading further lower today.

Fig 2 – Currencies

	2-03-2022	3-03-2022	% change
EUR/USD	1.1119	1.1066	(0.5)
GBP/USD	1.3406	1.3348	(0.4)
USD/JPY	115.52	115.46	0.1
USD/INR	75.71	75.91	(0.3)
USD/CNY	6.3211	6.3203	0

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed monitoring Russia-Ukraine war, central bank signals on rates and global PMI data print. US 10Y yield fell by 4bps as ISM services PMI print dropped to 56.5 in Mar'22 (lowest since Feb'21). Japan and UK's 10Y



yield rose by 4bps each, on concerns of elevated inflation. India's 10Y yield rose a tad by 1bps (6.83%).

Fig 3 – Bond 10Y yield

	2-03-2022	3-03-2022	% change
US	1.88	1.84	(4)
UK	1.26	1.30	4
Germany	0.03	0.02	(1)
Japan	0.14	0.18	4
China	2.83	2.85	1
India	6.82	6.83	1

Source: Bloomberg, Bank of Baroda Research

- Short end yields closed mixed in absence of any fresh cues.

Fig 4 – Short term rates

	2-03-2022	3-03-2022	% change
Tbill-91 days	3.69	3.68	(2)
Tbill-182 days	4.15	4.14	0
Tbill-364 days	4.43	4.47	1
G-Sec 2Y	4.85	4.85	(1)
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	2-03-2022	3-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(8.0)	(8.0)	0
Reverse repo	6.9	6.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-02-2022	2-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(640.8)	(729.7)	(88.9)
Debt	(93.1)	(194.0)	(101.0)
Equity	(547.7)	(535.7)	12.0
Mutual funds (Rs cr)	2,688.4	(1,500.7)	(4,189.2)
Debt	(1,017.9)	(2,187.0)	(1,169.1)
Equity	3,706.4	686.3	(3,020.1)

Source: Bloomberg, Bank of Baroda Research

- International oil prices eased by 2.2% to US\$ 111/bbl, while gold prices rose by 0.4%. Gold prices have been driven by safe-haven demand.

Fig 7 – Commodities

	2-03-2022	3-03-2022	% change
Brent crude (US\$/bbl)	112.9	110.5	(2.2)
Gold (US\$/ Troy Ounce)	1,928.7	1,936.0	0.4
Copper (US\$/ MT)	10,194.3	10,383.5	1.9
Zinc (US\$/MT)	3,877.3	3,933.5	1.5
Aluminum (US\$/MT)	3,569.0	3,716.5	4.1

Source: Bloomberg, Bank of Baroda Research



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