

MORNING MOCHA

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ECONOMIST
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Global markets monitored hawkish Fed commentary. Stocks declined, bond yields rose and currencies depreciated. US labour market continued to strengthen as jobless claims fell to 166,000-lowest since 1968. In Europe, upcoming French Presidential elections remains in focus amidst uncertainty over re-election of the current President. Oil prices have eased as IEA agreed to release 120mn barrels from its strategic reserves.

- Except US, other global stocks ended lower as investors assessed the impact of aggressive policy tightening by the Fed. Asian stocks led the decline, with Nikkei and Shanghai Comp falling by 1.7% and 1.4% respectively. Sensex also fell by 1%, with all major sectoral indices ending in red. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	6-04-2022	7-04-2022	% change
Dow Jones	34,497	34,584	0.3
S & P 500	4,481	4,500	0.4
FTSE	7,588	7,552	(0.5)
Nikkei	27,350	26,889	(1.7)
Hang Seng	22,081	21,809	(1.2)
Shanghai Comp	3,283	3,237	(1.4)
Sensex	59,610	59,035	(1.0)
Nifty	17,808	17,640	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Except GBP and CNY (flat), other global currencies closed lower. DXY rose for the 6th-straight session to a 2-year high, as US jobless claims continued to decline. EUR depreciated by 0.2% as uncertainty over the results of French Presidential elections. JPY too fell by 0.1% to a near 7-year low. INR depreciated by 0.3% ahead of RBI policy. Asian currencies are trading lower today.

Fig 2 – Currencies

	6-04-2022	7-04-2022	% change
EUR/USD	1.0896	1.0879	(0.2)
GBP/USD	1.3069	1.3075	0
USD/JPY	123.80	123.95	(0.1)
USD/INR	75.76	75.96	(0.3)
USD/CNY	6.3598	6.3604	0

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. While yields in US and Europe were higher, Asian yields closed lower. US 10Y yield rose the most by 6bps, following hawkish Fed comments indicating aggressive rate hikes and accelerated



balance sheet winding program. India's 10Y yield closed flat, awaiting guidance from RBI's policy meet today.

Fig 3 – Bond 10Y yield

	6-04-2022	7-04-2022	change in bps
US	2.60	2.66	6
UK	1.70	1.73	3
Germany	0.65	0.68	3
Japan	0.25	0.23	(1)
China	2.76	2.74	(2)
India	6.92	6.91	0

Source: Bloomberg, Bank of Baroda Research

- While T-bill rates on 91-day and 364-day paper fell by 1bps, rates were up by 4bps for 182-day paper, ahead of the RBI policy announcement today.

Fig 4 – Short term rates

	6-04-2022	7-04-2022	% change
Tbill-91 days	3.85	3.84	(1)
Tbill-182 days	4.20	4.24	4
Tbill-364 days	4.54	4.53	(1)
G-Sec 2Y	5.05	5.05	0
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.30	0.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	6-04-2022	7-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.9)	(7.7)	0.2
Reverse repo	8.3	7.8	(0.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	5-04-2022	6-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	490.6	(20.7)	(511.2)
Debt	28.1	166.2	138.1
Equity	462.5	(186.9)	(649.4)
Mutual funds (Rs cr)	4,355.1	339.3	(4,015.8)
Debt	2,730.0	584.8	(2,145.2)
Equity	1,625.1	(245.5)	(1,870.6)

Source: Bloomberg, Bank of Baroda Research | Data for Mutual Funds pertains to 4 and 5 Apr 2022

- Crude prices fell by 0.5% to US\$ 101/bbl as members of IEA agreed to release 120mn barrels from strategic reserves, of which 60mn barrels will be released by the US. Gold however rose by 0.3%.

Fig 7 – Commodities

	6-04-2022	7-04-2022	% change
Brent crude (US\$/bbl)	101.1	100.6	(0.5)
Gold (US\$/ Troy Ounce)	1,925.4	1,931.9	0.3
Copper (US\$/ MT)	10,286.8	10,314.5	0.3
Zinc (US\$/MT)	4,294.3	4,203.8	(2.1)
Aluminum (US\$/MT)	3,441.0	3,385.0	(1.6)

Source: Bloomberg, Bank of Baroda Research



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