

## MORNING MOCHA

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Equity markets in advanced countries took a breather as commodity prices eased from near record-highs. Risk-sentiment improved, and safe-haven assets such as dollar, yen and gold retreated. Importantly, oil prices dipped by 13.2% on reports that OPEC countries are likely to ramp up production to offset disruptions caused due to sanctions on Russia's energy sector. ECB policy and US CPI data will be key watchable for investors.

- Global indices ended mixed as investors monitored geopolitical tensions between Russia and Ukraine. Amongst other indices, Shanghai Comp (1.1%) fell the most. However, European indices made a quick recovery as global commodity prices eased. Sensex (2.3%) too ended in green led by gains in real estate and auto stocks. It is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	8-03-2022	9-03-2022	% change
Dow Jones	32,633	33,286	2.0
S & P 500	4,171	4,278	2.6
FTSE	6,964	7,191	3.3
Nikkei	24,791	24,718	(0.3)
Hang Seng	20,766	20,628	(0.7)
Shanghai Comp	3,294	3,256	(1.1)
Sensex	53,424	54,647	2.3
Nifty	16,013	16,345	2.1

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies closed higher led by improvement in risk-sentiment as commodity prices eased. Safe-haven DXY (1.1%) and JPY (0.1%) fell. EUR gained by 1.6% on reports that the EU is planning on issuing bonds to finance its defense and energy spending. INR too recouped some losses (up by 0.5%) amidst lower oil prices. Asian currencies are trading mixed today.

**Fig 2 – Currencies**

	8-03-2022	9-03-2022	% change
EUR/USD	1.0899	1.1076	1.6
GBP/USD	1.3102	1.3181	0.6
USD/JPY	115.67	115.83	(0.1)
USD/INR	76.91	76.56	0.5
USD/CNY	6.3187	6.3176	0

Source: Bloomberg, Bank of Baroda Research

- Except India (lower), global yields closed higher. US 10Y yield rose by 11bps to 1.95% ahead of US CPI data. Germany's 10Y yield also inched up by 10bps as investors await comments from the ECB. However, India's 10Y yield declined by 5bps to 6.85%, tracking lower oil prices.



**Fig 3 – Bond 10Y yield**

	8-03-2022	9-03-2022	% change
US	1.85	1.95	11
UK	1.45	1.53	8
Germany	0.11	0.22	10
Japan	0.16	0.17	1
China	2.84	2.86	2
India	6.90	6.85	(5)

Source: Bloomberg, Bank of Baroda Research

- T-bill yields inched up, following RBI auction. Yields on 182-day (+6bps) and 91-day (+4bps) rose the most. In the auction, cut-off yield for 91-day T-bill was at 3.80% and for 182-day T-bill it was at 4.38%.

**Fig 4 – Short term rates**

	8-03-2022	9-03-2022	% change
Tbill-91 days	3.80	3.84	4
Tbill-182 days	4.30	4.36	6
Tbill-364 days	4.65	4.68	3
G-Sec 2Y	5.02	5.02	1
SONIA int rate benchmark	0.44	0.44	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	8-03-2022	9-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.2)	(7.4)	(0.2)
Reverse repo	7.7	7.7	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	7-03-2022	8-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(1,031.8)	(998.7)	33.1
Debt	(2.1)	(49.7)	(47.6)
Equity	(1,029.8)	(949.1)	80.7
Mutual funds (Rs cr)	3,731.7	1,723.6	(2,008.1)
Debt	(479.6)	(1,141.8)	(662.2)
Equity	4,211.3	2,865.4	(1,345.9)

Source: Bloomberg, Bank of Baroda Research | Note: Data for MFs pertains to 4 Mar and 7 Mar 2022

- Global oil prices dropped by 13.2% to US\$ 111.2/bbl amidst reports that OPEC countries (UAE and Iraq) are likely to ramp up production. Other commodity prices too moderated, amidst reports of talks between Russia and Ukraine.

**Fig 7 – Commodities**

	8-03-2022	9-03-2022	% change
Brent crude (US\$/bbl)	128.0	111.1	(13.2)
Gold (US\$/ Troy Ounce)	2,050.8	1,991.8	(2.9)
Copper (US\$/ MT)	10,160.8	9,964.0	(1.9)
Zinc (US\$/MT)	4,113.0	3,916.3	(4.8)
Aluminum (US\$/MT)	3,498.0	3,341.0	(4.5)

Source: Bloomberg, Bank of Baroda Research



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