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ECONOMIST
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Global markets await US CPI print, due this Thursday, and are also tracking the progress of US-Iran talking to assess the impact on oil supply and prices. Separately, US trade balance print for CY21 has risen to a record high of US\$ 859.1bn versus US\$ 676.7bn in CY20, as domestic recovery pushed imports higher.

- Barring FTSE and Hang Seng, other global indices ended higher as investors awaited US inflation print and continued to monitor earnings report globally. Amongst other indices, Dow (1.1%) surged the most followed by Shanghai Comp (0.7%). Sensex too climbed higher by 0.3% led by gains in metal stocks.

Fig 1 – Stock markets

	07-02-2022	08-02-2022	% change
Dow Jones	35,091	35,463	1.1
S & P 500	4,484	4,522	0.8
FTSE	7,573	7,567	(0.1)
Nikkei	27,249	27,285	0.1
Hang Seng	24,580	24,329	(1.0)
Shanghai Comp	3,430	3,453	0.7
Sensex	57,621	57,809	0.3
Nifty	17,214	17,267	0.3

Source: Bloomberg, Bank of Baroda Research

- Barring GBP (higher), other major currencies closed lower. JPY (0.4%) and EUR (0.2%) fell the most. DXY rose by 0.3% as steady labour market progress (467k jobs added in Jan'22 versus est.: 150k) supported gains. Today, Asian currencies are trading higher.

Fig 2 – Currencies

	07-02-2022	08-02-2022	% change
EUR/USD	1.1442	1.1415	(0.2)
GBP/USD	1.3536	1.3543	0.1
USD/JPY	115.10	115.55	(0.4)
USD/INR	74.70	74.75	(0.1)
USD/CNY	6.3623	6.3665	(0.1)

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were closed on 7.02.2022

- Except China (flat) and India (lower), other global yields closed higher amidst growing uncertainty over Fed's aggressiveness to hike rates in the coming months. US 10Y yield rose by 5bps (1.96%) ahead of the CPI print scheduled this week. India's 10Y yield dropped by 6bps as central government's auction has been cancelled as cash position is steady. India's 10Y yield is expected to inch up this week, on expectation of reverse repo hike by RBI.



Fig 3 – Bond 10Y yield

	07-02-2022	08-02-2022	% change
US	1.92	1.96	5
UK	1.41	1.49	8
Germany	0.23	0.27	4
Japan	0.20	0.22	2
China	2.72	2.72	0
India	6.87	6.81	(6)

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were closed on 7.02.2022

- Pressure on short-end yields eased a tad, with 91-day T-bill yield falling by 2bps. Investors digested the news of cancelling of gilt auction and also await MPC decision this week for guidance.

Fig 4 – Short term rates

	07-02-2022	08-01-2022	% change
Tbill-91 days	3.87	3.85	(2)
Tbill-182 days	4.36	4.35	(1)
Tbill-365 days	4.60	4.59	(1)
G-Sec 2Y	5.10	5.11	1
AAACorp Spread 3Y	37.00	37.00	0
SONIA int rate benchmark	0.45	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were closed on 7.02.2022

Fig 5 – Liquidity

Rs tn	03-02-2022	04-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.1)	(6.4)	0.7
Reverse repo*	(6.9)	(3.7)	3.2
Repo*	0	0	0

Source: Bloomberg, Bank of Baroda Research *Variable rate outstanding; Note: Markets in India were closed on 7.02.2022

Fig 6 – Capital market flows

	07-02-2022	08-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(765.3)	150.3	915.5
Debt	(75.7)	20.2	95.8
Equity	(689.6)	130.1	819.7
Mutual funds (Rs cr)	3,290.1	3,014.2	(275.9)
Debt	381.4	(303.6)	(685.0)
Equity	2,908.7	3,317.9	409.2

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 31 Jan 2022 and 28 Jan 2022

- International oil prices fell further by 2.1% (US\$ 93/bbl) ahead of further progress in US-Iran talks and possibility of Iranian oil hitting the market. Gold prices firmed up by 0.3%, as inflation risks remain.

Fig 7 – Commodities

	07-02-2022	08-02-2022	% change
Brent crude (US\$/bbl)	92.7	90.8	(2.1)
Gold (US\$/ Troy Ounce)	1,820.5	1,825.9	0.3
Copper (US\$/ MT)	9,806.8	9,809.3	0
Zinc (US\$/MT)	3,625.5	3,593.8	(0.9)
Aluminum (US\$/MT)	2,590.0	2,590.0	0

Source: Bloomberg, Bank of Baroda Research



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