

## MORNING MOCHA

20 January 2022

ECONOMISTS  
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Global markets were volatile as investors await comments from US Federal Reserve. Global equities were mostly lower as higher inflation dented sentiments. Currencies inched up.

- Except FTSE and Hang Seng (higher), other global indices closed lower. Nikkei fell the most, followed by markets in US and India. This was despite stronger US and European corporate results. However, Sensex is trading higher today, in line with other Asian stocks, following rate cut (LPR) announcement by PBOC.

**Fig 1 – Stock markets**

	19-01-2022	18-01-2022	% change
Dow Jones	35,028.7	35,368.5	(1.0)
S & P 500	4,532.8	4,577.1	(1.0)
FTSE	7,589.7	7,563.6	0.3
Nikkei	27,467.2	28,257.3	(2.8)
Hang Seng	24,127.9	24,112.8	0.1
Sensex	60,098.8	60,754.9	(1.1)
Nifty	17,938.4	18,113.1	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher. After rising for 3-straight sessions, DXY fell by 0.2% even as US housing starts rose unexpectedly in Dec'21. GBP gained by 0.1% as UK's inflation rose sharply raising expectations of rate hike by BoE. INR appreciated by 0.2% supported by global cues even as oil prices continued to edge up. It is trading further higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	19-01-2022	18-01-2022	% change
EUR/USD	1.1343	1.1325	0.2
GBP/USD	1.3612	1.3596	0.1
USD/JPY	114.33	114.61	0.2
USD/INR	74.4313	74.5825	0.2
USD/CNY	6.3451	6.3530	0.1

Source: Bloomberg, Bank of Baroda Research

- UK 10Y yield rose the most by 4bps (1.26%-highest since Mar'19) as annual CPI print of the economy soared to its 30-year high in Dec'21. US 10Y yield slightly retreated by 1bps, from its 2-year high to 1.86% as President backed Fed's policy shift. India's 10Y yield fell by 3bps (6.6%) amidst reports on speculation of RBI buying bonds in secondary market. Asian bonds are trading mixed today, India's 10Y yield is trading higher at 6.61%.



**Fig 3 – Bond 10Y yield**

	19-01-2022	18-01-2022	% change
US	1.86	1.87	(1)
UK	1.26	1.22	4
Germany	(0.01)	(0.02)	1
Japan	0.14	0.14	0
China	2.73	2.75	(1)
India	6.60	6.63	(3)

Source: Bloomberg, Bank of Baroda Research

- 182-days T-Bill soared the most by 11bps followed by 91-days T-Bill (+7bps), as policy normalisation in terms of reverse repo hike is expected, for which short term rates are scaling up. Even rise in global commodity price and inflation are also supporting the view. Yesterday Rs 260bn auction of T-Bills were held and YTM remained in the range of 3.69%-4.47%.

**Fig 4 – Short term Rates**

	19-01-2022	18-01-2022	% change
Tbill-91 days	3.67	3.60	7
Tbill-182 days	4.09	3.98	11
Tbill-365 days	4.44	4.38	6
G-Sec 2Y	4.71	4.69	3
G-sec 5Y	5.95	5.95	0
AAACorp Spread 3Y	32	32	0
AAACorp Spread 10Y	43	43	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity Situation**

Rs tn	19-01-2022	18-01-2022	Absolute change
Net Liquidity (-Surplus/+deficit)	(6.1)	(6.3)	0.3
Reverse Repo*	6.3	4.8	1.5
Repo*	0	0	0

Source: Bloomberg, Bank of Baroda Research \*Variable rate outstanding

- FII outflows from equity segment intensify, offsetting inflows in the debt segment. Inflows into mutual funds continue.

**Fig 6 – Capital market flows**

	18-01-2022	17-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(29.9)	24.7	(54.7)
Debt	50.3	57.5	(7.2)
Equity	(80.2)	(32.8)	(47.4)
Mutual funds (Rs cr)	1,040.4	320.6	719.7
Debt	746.9	277.1	469.8
Equity	293.5	43.5	249.9

Source: Bloomberg, Bank of Baroda Research Note: Data for Mutual Fund inflows pertains to 11 and 10 Jan 2022

- Crude prices rose by 1.1% (US\$ 88/bbl) as IEA predicts demand is on track to breach pre-pandemic levels. Gold too inched by 1.5% to reach its 2-month high.

**Fig 7 – Commodities**

	19-01-2022	18-01-2022	% change
Brent crude (US\$/bbl)	88.4	87.5	1.1
Gold	1840.5	1813.7	1.5

Source: Bloomberg, Bank of Baroda Research



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