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Major global yields (US, Germany and UK) rose sharply following hawkish comments from Fed Chair and ECB officials. Thus, signalling faster pace of rate hike amidst overheating of inflation. Powell's speech also suggested a 50bps rate hike in the May'22 policy. Thus, global currencies ended lower. Elsewhere, labour market in the US remained tight as continuing claims data fell to its 52-year low.

- Global markets closed mixed, with markets in US, Hong Kong, and China ending in red. FTSE ended flat. Shanghai Comp (2.3%) and S&P (1.5%) fell the most. Investor sentiments were impacted by rising sovereign yields (US, UK, Germany), and corporate earnings results. Sensex rose by 1.5%, led by gains in auto, banking and consumer durable stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

| | 20-04-2022 | 21-04-2022 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 35,161 | 34,793 | (1.0) |
| S & P 500 | 4,459 | 4,394 | (1.5) |
| FTSE | 7,629 | 7,628 | 0 |
| Nikkei | 27,218 | 27,553 | 1.2 |
| Hang Seng | 20,945 | 20,682 | (1.3) |
| Shanghai Comp | 3,151 | 3,080 | (2.3) |
| Sensex | 57,038 | 57,912 | 1.5 |
| Nifty | 17,137 | 17,393 | 1.5 |

Source: Bloomberg, Bank of Baroda Research

- Except INR (higher), other global currencies closed lower. DXY rose by 0.2%. Hints from Fed Chair Powell that Fed might opt for 2 or more 50bps hikes in the upcoming meetings pushed the dollar up. CNY and JPY fell the most. Both PBOC and BoJ have relatively accommodative monetary policy compared to Fed. INR rose by 0.1%, supported by FII inflows. Asian currencies are trading further lower today.

Fig 2 – Currencies

| | 20-04-2022 | 21-04-2022 | % change |
|---------|------------|------------|----------|
| EUR/USD | 1.0853 | 1.0834 | (0.2) |
| GBP/USD | 1.3068 | 1.3030 | (0.3) |
| USD/JPY | 127.86 | 128.38 | (0.4) |
| USD/INR | 76.21 | 76.16 | 0.1 |
| USD/CNY | 6.4192 | 6.4507 | (0.5) |

Source: Bloomberg, Bank of Baroda Research

- Except Japan (stable) and China (lower), global yields closed higher. UK's 10Y yield rose the most by 10bps followed by Germany (+9bps) and US (+8bps). Fed Chair's hawkish comments of faster pace of rate hike to control inflation and stating that 50bps hike is forthcoming in May'22 policy, impacted investor



sentiments. Even ECB officials' comments were also hawkish signalling rate hike. India's 10Y yield rose by 4bps (7.14%), ahead of Rs 320bn scheduled today.

Fig 3 – Bond 10Y yield

| | 20-04-2022 | 21-04-2022 | change in bps |
|---------|------------|------------|---------------|
| US | 2.83 | 2.91 | 8 |
| UK | 1.92 | 2.01 | 10 |
| Germany | 0.86 | 0.95 | 9 |
| Japan | 0.25 | 0.25 | 0 |
| China | 2.84 | 2.83 | (2) |
| India | 7.11 | 7.14 | 4 |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 20-04-2022 | 21-04-2022 | % change |
|--------------------------|------------|------------|----------|
| Tbill-91 days | 3.95 | 3.94 | (1) |
| Tbill-182 days | 4.39 | 4.36 | (3) |
| Tbill-364 days | 4.80 | 4.78 | (2) |
| G-Sec 2Y | 5.42 | 5.45 | 3 |
| SONIA int rate benchmark | 0.69 | 0.69 | 0 |
| US SOFR | 0.28 | 0.27 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 20-04-2022 | 21-04-2022 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (6.6) | (5.9) | 0.7 |
| Reverse repo | 5.9 | 5.9 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 19-04-2022 | 20-04-2022 | Change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (734.5) | (430.2) | 304.3 |
| Debt | (67.2) | (124.0) | (56.8) |
| Equity | (667.3) | (306.2) | 361.1 |
| Mutual funds (Rs cr) | 3,422.6 | 2,832.9 | (589.8) |
| Debt | 449.4 | 932.9 | 483.5 |
| Equity | 2,973.3 | 1,900.0 | (1,073.2) |

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 1.4% to US\$ 108/bbl, on the back of supply concerns and slowly easing restrictions in China. Investors also await decision on EU's plan to ban Russian oil imports. Gold prices fell by 0.3%, as possibility of sharper Fed rate hikes pushed dollar up.

Fig 7 – Commodities

| | 20-04-2022 | 21-04-2022 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 106.8 | 108.3 | 1.4 |
| Gold (US\$/ Troy Ounce) | 1,957.8 | 1,951.6 | (0.3) |
| Copper (US\$/ MT) | 10,196.0 | 10,272.0 | 0.7 |
| Zinc (US\$/MT) | 4,470.0 | 4,507.0 | 0.8 |
| Aluminum (US\$/MT) | 3,269.0 | 3,298.0 | 0.9 |

Source: Bloomberg, Bank of Baroda Research



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