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ECONOMIST
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Global markets are tracking comments of major Central Bank heads and are also assessing the economic impact of the ongoing war. Oil prices have again jumped sharply (US\$ 116/bbl) as EU also mulls ban on Russian oil imports. Rising international prices have begun showing impact on the domestic level as well, with increase in wholesale and retail prices of petrol and diesel. LPG prices are also up.

- Global markets closed mixed. Dow Jones fell by 0.6% as US Fed Chair underlined the need for aggressive rate hikes to tackle surging inflation. On the other hand, FTSE rose by 0.5% led by gains in energy stocks amidst a spike in oil prices. Sensex fell by 1%, dragged by power and banking stocks. It is trading further lower today, while other Asian stocks are trading higher.

Fig 1 – Stock markets

	18-03-2022	21-03-2022	Change, %
Dow Jones	34,755	34,553	(0.6)
S & P 500	4,463	4,461	(0.0)
FTSE	7,405	7,442	0.5
Nikkei	26,653	26,827	0.7
Hang Seng	21,412	21,221	(0.9)
Shanghai Comp	3,251	3,254	0.1
Sensex	57,864	57,292	(1.0)
Nifty	17,287	17,118	(1.0)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022 | Markets in Japan were closed on 21 Mar 2022

- Except CNY (higher), other global currencies closed lower. DXY rose by 0.3% supported by hawkish comments from Fed Chair. EUR fell by 0.3% as ECB President stated that the Fed and ECB are likely to be “out of sync in the foreseeable future”. JPY depreciated further by 0.3% to a more than 6-year low as BoJ continued to remain fairly dovish. INR fell by 0.4% as oil prices inched up again. It is likely to open weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	18-03-2022	21-03-2022	% change
EUR/USD	1.1051	1.1016	(0.3)
GBP/USD	1.3178	1.3169	(0.1)
USD/JPY	119.17	119.47	(0.3)
USD/INR	75.81	76.13	(0.4)
USD/CNY	6.3612	6.3559	0.1

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

- Except China (higher), global yields closed lower. UK's 10Y yield fell the most by 7bps, followed by US 10Y (2bps) and Germany's 10Y yield (1bps). Investor sentiments were impacted by growing worries over the economic impact of ongoing war between Russia and Ukraine. India's 10Y yield fell a tad by 1bps.



Fig 3 – Bond 10Y yield

	18-03-2022	21-03-2022	% change
US	2.17	2.15	(2)
UK	1.57	1.50	(7)
Germany	0.39	0.37	(1)
Japan	0.21	0.21	0
China	2.80	2.81	1
India	6.79	6.78	(1)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022 | Markets in Japan were closed on 21 Mar 2022

- India's T-bill rates remained range bound, with yield on 182-day paper falling by 1bps and that on 364-day paper rising by 1bps.

Fig 4 – Short term rates

	18-03-2022	21-03-2022	% change
Tbill-91 days	3.73	3.73	0
Tbill-182 days	4.27	4.26	(1)
Tbill-364 days	4.58	4.59	1
G-Sec 2Y	4.98	4.97	(1)
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.30	0.30	0

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

Fig 5 – Liquidity

Rs tn	17-03-2022	21-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(4.3)	(5.1)	(0.8)
Reverse repo	4.0	4.6	0.6
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

Fig 6 – Capital market flows

	16-03-2022	17-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	13.4	311.9	298.5
Debt	(57.5)	(99.2)	(41.7)
Equity	70.9	411.1	340.2
Mutual funds (Rs cr)	86.8	716.4	629.7
Debt	(412.6)	603.9	1,016.5
Equity	499.4	112.5	(386.9)

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

- Crude prices jumped by 7.1% (US\$ 116/bbl) following an attack on Saudi oil refinery and OPEC's report showing that some members are still falling short of their supply quotas. Gold prices too rose by 0.7%.

Fig 7 – Commodities

	18-03-2022	21-03-2022	% change
Brent crude (US\$/bbl)	107.9	115.6	7.1
Gold (US\$/ Troy Ounce)	1,921.6	1,935.9	0.7
Copper (US\$/ MT)	10,327.0	10,284.6	(0.4)
Zinc (US\$/MT)	3,822.5	3,947.5	3.3
Aluminum (US\$/MT)	3,381.0	3,521.0	4.1

Source: Bloomberg, Bank of Baroda Research



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