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Global markets remained volatile amidst increased fears of a global recession. Inflation in the Eurozone climbed up to a fresh record high at 9.1% in Aug'22 from 8.9% in Jul'22, thus increasing bets of a 75bps rate hike by ECB. Several Fed officials also spoke in favour of more rate hikes to curb inflation. Notably, manufacturing PMI's of major Asian economies such as China, Japan and South Korea suggested a weakening economic momentum.

- Except Hang Seng (stable), global stocks broadly closed lower. Growing concerns of global growth slowdown amidst tightening financial conditions, dented investor sentiments. Even Cleveland Fed President hinted at raising Fed rate to 4% by early next year. European stocks fell the most, followed by US. Sensex rose by 2.7% led by real estate and banking stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	30-08-2022	31-08-2022	% change
Dow Jones	31,791	31,510	(0.9)
S & P 500	3,986	3,955	(0.8)
FTSE	7,362	7,284	(1.1)
Nikkei	28,196	28,092	(0.4)
Hang Seng	19,949	19,954	0
Shanghai Comp	3,227	3,202	(0.8)
Sensex	57,973	59,537	2.7
Nifty	17,313	17,759	2.6

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

- Global currencies closed mixed. DXY edged down by 0.1% ahead of US jobs report. EUR gained 0.4%-rising above the dollar parity mark, led by increasing bets of a 75 bps rate hike by ECB. GBP fell by 0.3% to its lowest since Mar'20 amidst worsening economic outlook. Lower oil prices supported INR. It is trading further stronger today, while other Asian currencies are trading mostly weaker.

Fig 2 – Currencies

	30-08-2022	31-08-2022	% change
EUR/USD	1.0015	1.0054	0.4
GBP/USD	1.1656	1.1622	(0.3)
USD/JPY	138.79	138.96	(0.1)
USD/INR	79.97	79.46	0.6
USD/CNY	6.9114	6.8904	0.3

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

- Except Japan (stable) and India (lower), global yields closed higher. Record high inflation in the Eurozone (9.1% in Aug'22 from 8.9% in Jul'22) and expectation of aggressive rate hike by Fed, impacted investor sentiments. UK's 10Y yield rose to its highest (2.8%) since Sep'86. Even US 10Y yield rose by



9bps as private payroll data reported annual pay up 7.6%, which added to inflation woes. India's 10Y yield fell by 6bps (7.19%) on account of fall in 5Y OIS rate. It is trading lower at 7.18%, supported by favourable fiscal print.

Fig 3 – Bond 10Y yield

	30-08-2022	31-08-2022	change in bps
US	3.10	3.19	9
UK	2.70	2.80	10
Germany	1.51	1.54	3
Japan	0.23	0.23	0
China	2.64	2.64	1
India	7.25	7.19	(6)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

- In the current TBill auction of Rs 210bn, cut off yield rose across the board (91-days: 3bps, 182-days: 10bps and 364-days: 5bps).

Fig 4 – Short term rates

	30-08-2022	31-08-2022	change in bps
Tbill-91 days	5.64	5.63	(1)
Tbill-182 days	6.06	6.06	0
Tbill-364 days	6.28	6.31	3
G-Sec 2Y	6.35	6.36	1
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.28	2.29	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

Fig 5 – Liquidity

Rs tn	29-08-2022	30-08-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(0.6)	0.4
Reverse repo	1.2	1.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

Fig 6 – Capital market flows

	26-08-2022	29-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	5.7	172.3	166.6
Debt	19.9	(85.4)	(105.3)
Equity	(14.2)	257.7	271.9
Mutual funds (Rs cr)	(1,641.0)	(403.1)	1,237.9
Debt	(2,206.9)	924.6	3,131.5
Equity	565.9	(1,327.7)	(1,893.7)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 18th and 19th Aug 2022 | Note: Markets in India were closed on 31 Aug 2022

- Global commodity prices fell led by fears of a recession and muted global demand. Crude oil prices fell the most by 2.8% to US\$ 96.5/bbl.

Fig 7 – Commodities

	30-08-2022	31-08-2022	% change
Brent crude (US\$/bbl)	99.3	96.5	(2.8)
Gold (US\$/ Troy Ounce)	1,724.0	1,711.0	(0.8)
Copper (US\$/ MT)	7,893.0	7,845.5	(0.6)
Zinc (US\$/MT)	3,564.5	3,531.5	(0.9)
Aluminium (US\$/MT)	2,391.0	2,359.0	(1.3)

Source: Bloomberg, Bank of Baroda Research



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