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ECONOMIST
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Global markets remain jittery, driven by mounting tensions between Russia and Ukraine. Investors await global reaction to Russia's recognition of 2 separatist regions in Eastern Ukraine. DXY trading higher today. Oil and gold price are also tracking higher.

- Except Shanghai Comp, other global indices started the week on a subdued note as the geopolitical tensions between Russia and Ukraine re-escalated. Amongst other indices, Nikkei (0.8%) dropped the most followed by Dow Jones (0.7%). Sensex (0.3%) too ended in red and was dragged down by metal and oil and gas stocks. It is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	18-02-2022	21-02-2022	% change
Dow Jones	34,312	34,079	(0.7)
S & P 500	4,380	4,349	(0.7)
FTSE	7,514	7,484	(0.4)
Nikkei	27,122	26,911	(0.8)
Hang Seng	24,328	24,170	(0.6)
Shanghai Comp	3,491	3,491	0
Sensex	57,833	57,684	(0.3)
Nifty	17,276	17,207	(0.4)

Source: Bloomberg, Bank of Baroda Research; Note: Markets in US were closed on 21.02.2022

- Barring Euro and CNY, other global currencies closed higher against the dollar. DXY ended flat. Demand of safe-haven increased with JPY ending higher by 0.2% as tensions between Russia and Ukraine resurfaced. INR appreciated by 0.2%. RBI has announced 2 year sell-buy swap auction of US\$ 5bn. Asian currencies are trading mixed today.

Fig 2 – Currencies

	18-02-2022	21-02-2022	% change
EUR/USD	1.1322	1.1311	(0.1)
GBP/USD	1.3589	1.3602	0.1
USD/JPY	115.01	114.74	0.2
USD/INR	74.66	74.52	0.2
USD/CNY	6.3256	6.3352	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except Japan (flat), other major global yields closed higher. China (+4bps), India and UK's (+3bps each) 10Y yields rose the most. Escalating tensions between Russia and Ukraine are expected to dent investor sentiments today. India's 10Y yield also reacted to speculation that central government may not cancel this week's auction plan.



Fig 3 – Bond 10Y yield

	18-02-2022	21-02-2022	% change
US	1.96	1.93	(3)
UK	1.38	1.41	3
Germany	0.19	0.21	1
Japan	0.22	0.21	0
China	2.81	2.85	4
India	6.66	6.69	3

Source: Bloomberg, Bank of Baroda Research; Note: Markets in US were closed on 21.02.2022

- T-bill yields closed mixed with yields on shorter-end inching down and that on the longer-end inching up. Yields on 91-day and 182-day T-Bill fell by 1bps, but it rose by 4bps for 364-day T-bill.

Fig 4 – Short term rates

	18-02-2022	21-02-2022	% change
Tbill-91 days	3.69	3.68	(1)
Tbill-182 days	4.15	4.14	(1)
Tbill-364 days	4.43	4.47	4
G-Sec 2Y	4.85	4.85	2
SONIA int rate benchmark	0.44	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research; Note: Markets in US were closed on 21.02.2022

Fig 5 – Liquidity

Rs tn	17-02-2022	18-02-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.4)	(6.6)	0.8
Reverse repo	6.8	5.4	(1.4)
Repo	0	0	0

Source: Bloomberg, Bank of Baroda Research

Fig 6 – Capital market flows

	17-02-2022	18-02-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(54.2)	(389.8)	(335.6)
Debt	40.4	18.4	(22.0)
Equity	(94.6)	(408.2)	(313.6)
Mutual funds (Rs cr)	2,637.2	2,021.5	(615.7)
Debt	2,003.0	1,307.9	(695.1)
Equity	634.3	713.7	79.4

Source: Bloomberg, Bank of Baroda Research

- International oil prices jumped 2% (US\$ 95/bbl) as Russia-Ukraine tensions came at the forefront once again. Gold prices too rose up by 0.4%, owing to escalating geopolitical pressures.

Fig 7 – Commodities

	18-02-2022	21-02-2022	% change
Brent crude (US\$/bbl)	93.5	95.4	2.0
Gold (US\$/ Troy Ounce)	1,898.4	1,906.3	0.4
Copper (US\$/ MT)	10,010.0	9,946.0	(0.6)
Zinc (US\$/MT)	3,600.3	3,582.0	(0.5)
Aluminum (US\$/MT)	3,262.5	3,279.5	0.5

Source: Bloomberg, Bank of Baroda Research



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