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ECONOMIST
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Increasing hawkish rhetoric by major Central Banks and spread of Covid-19 in China kept global markets on edge. Global stocks fell sharply, and currencies too ended lower. Oil prices also fell, amidst worsening global growth outlook. This week, apart from corporate earnings reports, markets also react to the results of French Presidential elections and await comments from BoJ.

- Except Shanghai Comp (higher), other global stocks ended lower amidst increased bets of rate hikes by US Fed, ECB and BoE. US stocks dipped the most, amidst weak earnings reports. FTSE also declined by 1.4% as UK's retail sales fell more than expected in Mar'22. Sensex too declined by 1.2% following global cues. Banking, metals and real estate stocks fell the most. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	21-04-2022	22-04-2022	% change
Dow Jones	34,793	33,811	(2.8)
S & P 500	4,394	4,272	(2.8)
FTSE	7,628	7,522	(1.4)
Nikkei	27,553	27,105	(1.6)
Hang Seng	20,682	20,639	(0.2)
Shanghai Comp	3,080	3,087	0.2
Sensex	57,912	57,197	(1.2)
Nifty	17,393	17,172	(1.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower as dollar strengthened. DXY rose by 0.6% to its highest since Mar'20 as Fed Chair hinted at more aggressive rate hikes. GBP fell sharply by 1.5% to a 7-month low amidst disappointing retail sales data. CNY also depreciated by 0.4% amidst growth concerns as lockdown restrictions continued in Shanghai. INR depreciated by 0.4% led by FPI outflows, even as oil prices edged down. It is trading further lower today in line with other Asian currencies.

Fig 2 – Currencies

	21-04-2022	22-04-2022	% change
EUR/USD	1.0834	1.0790	(0.4)
GBP/USD	1.3030	1.2839	(1.5)
USD/JPY	128.38	128.50	(0.1)
USD/INR	76.16	76.49	(0.4)
USD/CNY	6.4507	6.5014	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While 10Y yields in UK (5bps) and US (1bps) fell, yields in Germany, China and India rose by 2bps each. Investors are pricing in aggressive rate hikes by Fed and also awaited French Presidential election



results (now showing a 2nd term for Macron). India's 10Y yield rose by 2bps as demand in the weekly auction was weaker than expected. However, it is trading lower at 7.13% today.

Fig 3 – Bond 10Y yield

	21-04-2022	22-04-2022	change in bps
US	2.91	2.90	(1)
UK	2.01	1.96	(5)
Germany	0.95	0.97	2
Japan	0.25	0.25	0
China	2.83	2.85	2
India	7.14	7.17	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-04-2022	21-04-2022	% change
Tbill-91 days	3.94	3.95	1
Tbill-182 days	4.36	4.22	(14)
Tbill-364 days	4.78	4.78	0
G-Sec 2Y	5.42	5.45	3
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.27	0.26	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-04-2022	22-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.9)	(5.5)	0.4
Reverse repo	5.9	0.5	(5.4)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-04-2022	21-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(430.2)	(158.1)	272.1
Debt	(124.0)	(79.1)	44.9
Equity	(306.2)	(79.0)	227.2
Mutual funds (Rs cr)	2,832.9	5,176.7	2,343.8
Debt	932.9	2,746.3	1,813.4
Equity	1,900.0	2,430.4	530.4

Source: Bloomberg, Bank of Baroda Research

- Crude prices fell by 1.6% (US\$ 107/bbl), over concerns of weaker global growth, aggressive Fed policy, and possible expansion of sanctions on Russia by Europe. Gold prices too fell by 1%, as dollar rallied.

Fig 7 – Commodities

	21-04-2022	22-04-2022	% change
Brent crude (US\$/bbl)	108.3	106.7	(1.6)
Gold (US\$/ Troy Ounce)	1,951.6	1,931.6	(1.0)
Copper (US\$/ MT)	10,272.0	10,113.3	(1.5)
Zinc (US\$/MT)	4,507.0	4,498.2	(0.2)
Aluminum (US\$/MT)	3,298.0	3,245.5	(1.6)

Source: Bloomberg, Bank of Baroda Research



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