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ECONOMIST
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Global markets were volatile as Russia-Ukraine tensions continue to build. As a result, while demand for safe-haven dollar and gold rose, oil prices slipped. Global equities and treasury yields await further direction from FOMC. Investors expect Fed to hike rates ~3-4 times this years and also announce trimming down of its ~US\$ 8tn balance sheet.

- Global indices closed mixed. FTSE (2.6%) and Nifty (2.7%) fell the most. Investors are awaiting Fed policy guidance and also monitoring rising tensions between Russia and Ukraine. However, equity markets in Japan and US rose. Domestic equity markets are trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	24-01-2022	21-01-2022	% change
Dow Jones	34,365	34,265	0.3
S & P 500	4,410	4,398	0.3
FTSE	7,297	7,494	(2.6)
Nikkei	27,588	27,522	0.2
Hang Seng	24,656	24,966	(1.2)
Shanghai Comp	3,524	3,523	0
Sensex	57,492	59,037	(2.6)
Nifty	17,149	17,617	(2.7)

Source: Bloomberg, Bank of Baroda Research

- Except CNY (higher), other global currencies closed lower. DXY rose by 0.3% on safe-haven demand amidst rising tensions between Russia and Ukraine. GBP fell by 0.5%. INR too depreciated by 0.2% led by global cues, even as oil prices eased. It is trading further lower today, in line with other Asian currencies.

Fig 2 – Currencies

	24-01-2022	21-01-2022	% change
EUR/USD	1.1326	1.1344	(0.2)
GBP/USD	1.3488	1.3553	(0.5)
USD/JPY	113.95	113.68	(0.2)
USD/INR	74.5675	74.4275	(0.2)
USD/CNY	6.3307	6.3387	0.1

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. UK's 10Y yield fell by 5bps as flash composite PMI reading hit 11-month low in Jan'21. US 10Y yield rose a tad by 1bps awaiting FOMC's decision. India's 10Y yield also rose by 3bps (6.66%) tracking rise in US 10Y yield. Asian bonds are trading mixed today, India's 10Y yield is trading lower at 6.64%, supported by RBI's fine tuning operations.



Fig 3 – Bond 10Y yield

	24-01-2022	21-01-2022	% change
US	1.77	1.76	1
UK	1.13	1.17	(5)
Germany	(0.11)	(0.07)	(4)
Japan	0.14	0.14	0
China	2.68	2.71	(3)
India	6.66	6.63	3

Source: Bloomberg, Bank of Baroda Research

- 91 and 182-days T-bill fell by 1bps each, as RBI conducted another overnight variable repo rate auction of Rs 750bn with a weighted average rate of 4.13%. Investors also remained cautious ahead of the upcoming auction.

Fig 4 – Short term rates

	24-01-2022	21-01-2022	% change
Tbill-91 days	3.69	3.70	(1)
Tbill-182 days	4.08	4.09	(1)
Tbill-365 days	4.47	4.47	0
G-Sec 2Y	4.72	4.71	1
AAACorp Spread 3Y	5.94	5.94	0
SONIA int rate benchmark	32.04	32.04	0
US SOFR	42.59	42.59	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	24-01-2022	21-01-2022	Absolute change
Net Liquidity (-Surplus/+deficit)	(5.7)	(5.7)	0
Reverse repo*	6.8	6.8	0
Repo*	0	0	0

Source: Bloomberg, Bank of Baroda Research *Variable rate outstanding

Fig 6 – Capital market flows

	21-01-2022	20-01-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(419.6)	(612.1)	192.5
Debt	(7.0)	5.8	(12.8)
Equity	(412.6)	(617.9)	205.3
Mutual funds (Rs cr)	443.6	(218.3)	661.9
Debt	(946.7)	448.4	(1,395.1)
Equity	1,390.3	(666.7)	2,057.0

Source: Bloomberg, Bank of Baroda Research, Note: Data for Mutual Fund inflows pertains to 19 Jan 2022 and 18 Jan 2022

- Crude prices slid by 1.8% (US\$ 86/bbl) as investors await Fed policy decision. Gold however rose by 0.4% as geo-political tensions in Eastern Europe boosted demand for safe-heaven.

Fig 7 – Commodities

	24-01-2022	21-01-2022	% change
Brent crude (US\$/bbl)	86.3	87.9	(1.8)
Gold	1843.1	1835.4	0.4

Source: Bloomberg, Bank of Baroda Research



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