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Aditi Gupta

China's Covid-19 outbreak worsened as reports indicated possibility of lockdown in Beijing. As a result, investors remained on edge as a slowdown in China is likely to put further strains on global supply chains, further fuelling inflationary pressures and impacting global growth. Global stocks and bond yields fell and currencies depreciated. However, PBOC's announcement of a cut in foreign reserve ratio to support the yuan helped assuage some concerns.

- Except US, stock markets elsewhere closed lower as investors monitored worsening Covid-19 crisis in China. Shanghai Comp fell sharply by 5.1%, followed by Hang Seng (lower by 3.7%). On the other hand, US stocks ended higher led by gains in technology shares. Sensex fell by 1.1% dragged down by metals, real estate and oil and gas stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	22-04-2022	25-04-2022	% change
Dow Jones	33,811	34,049	0.7
S & P 500	4,272	4,296	0.6
FTSE	7,522	7,381	(1.9)
Nikkei	27,105	26,591	(1.9)
Hang Seng	20,639	19,869	(3.7)
Shanghai Comp	3,087	2,929	(5.1)
Sensex	57,197	56,580	(1.1)
Nifty	17,172	16,954	(1.3)

Source: Bloomberg, Bank of Baroda Research

- Safe-haven DXY and JPY strengthened by 0.5% and 0.3% as concerns over China's Covid-19 outbreak dented risk-sentiment. CNY fell the most by 0.9% to a 1-year low. EUR too fell by 0.7% even as French President secured a second-term in recent elections. GBP declined by 0.8% as business optimism in UK fell to a 2-year low. INR depreciated by 0.3% on the back of FPI outflows. However, is trading higher today in line with other Asian currencies.

Fig 2 – Currencies

	22-04-2022	25-04-2022	% change
EUR/USD	1.0790	1.0713	(0.7)
GBP/USD	1.2839	1.2741	(0.8)
USD/JPY	128.50	128.14	0.3
USD/INR	76.49	76.70	(0.3)
USD/CNY	6.5014	6.5594	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Except Japan (stable), other global yields closed lower. Germany's 10Y yield fell the most by 14bps followed by UK (-12bps) and US (-8bps). Investor sentiments were impacted by falling crude prices, amidst expectation of muted demand due



to rising Covid-19 cases in China. India's 10Y yield fell by 13bps (7.04%-lowest since 7 Apr), on account of short covering and also supported by less than expected hawkish MPC minutes. However, it is trading higher at 7.09% today.

Fig 3 – Bond 10Y yield

	22-04-2022	25-04-2022	change in bps
US	2.90	2.82	(8)
UK	1.96	1.84	(12)
Germany	0.97	0.84	(14)
Japan	0.25	0.25	0
China	2.85	2.82	(3)
India	7.17	7.04	(13)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	2-04-2022	22-04-2022	% change
Tbill-91 days	3.95	3.94	(1)
Tbill-182 days	4.22	4.20	(2)
Tbill-364 days	4.78	4.74	(4)
G-Sec 2Y	5.45	5.45	0
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.26	0.27	1

Source: Bloomberg, Bank of Baroda Research | Note Outstanding SDF amount as on 24 Apr 2022 was Rs 1.8tn

Fig 5 – Liquidity

Rs tn	24-04-2022	25-04-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.7)	(5.2)	0.5
Reverse repo	5.0	5.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-04-2022	22-04-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(158.1)	(272.2)	(114.1)
Debt	(79.1)	(86.6)	(7.5)
Equity	(79.0)	(185.6)	(106.6)
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 4.1% to US\$ 102/bbl, led by demand concerns due to rising Covid-19 cases in China. Further reports of downgrade of growth forecast by German government for CY22 and muted manufacturing activity data in US also impacted sentiments. Gold prices fell by 1.7%, as investors are pricing in aggressive rate hike by Fed.

Fig 7 – Commodities

	22-04-2022	25-04-2022	% change
Brent crude (US\$/bbl)	106.7	102.3	(4.1)
Gold (US\$/ Troy Ounce)	1,931.6	1,897.8	(1.7)
Copper (US\$/ MT)	10,113.3	9,783.8	(3.3)
Zinc (US\$/MT)	4,498.2	4,222.8	(6.1)
Aluminum (US\$/MT)	3,245.5	3,090.5	(4.8)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com