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Global market rout deepened further as investors assessed the increased likelihood of a recession. While global stocks and commodity prices slid, currencies fell to fresh multi-year lows. Flash PMI's of major economies (Eurozone, UK and Japan) showed continued weakness. In UK, economic conditions worsened significantly as GfK's consumer confidence index slipped to a record-low. UK government announced a slew of tax cuts to bolster consumer spending, raising concerns over elevated government borrowing and inflation. However, both manufacturing (51.8 versus 51.5 in Aug'22) and services (49.2 versus 43.7) PMI in the US showed improvement. In India, RBI decision will be key watchable and we now expect a 50 bps rate hike.

- Global stocks ended lower amidst concerns over muted growth and overheated inflation. Recent fiscal stimulus by UK with regard to tax cut further fuelled inflation woes. FTSE fell the most by 2%, followed by US stocks. Fed Reserve Bank of Atlanta official also hinted at 'relatively orderly' slowdown of the economy in the wake of aggressive policy to tame inflation. Sensex also fell by 1.7%, led by a slide in power and real estate stocks. It is trading further lower today, while Asian markets are trading mixed.

Fig 1 – Stock markets

	22-09-2022	23-09-2022	% change
Dow Jones	30,077	29,590	(1.6)
S & P 500	3,758	3,693	(1.7)
FTSE	7,160	7,019	(2.0)
Nikkei	27,313	27,154	(0.6)
Hang Seng	18,148	17,933	(1.2)
Shanghai Comp	3,109	3,088	(0.7)
Sensex	59,120	58,099	(1.7)
Nifty	17,630	17,327	(1.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies continued to slide against the dollar. DXY rose by 1.7% (largest single day gain since Jun'16) amidst rising fears of a global recession. GBP plunged sharply by 3.6% to a 37-year low amidst rising economic woes. EUR too slipped to a 20-year low. INR depreciated to a new record-low of 80.99/\$. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	22-09-2022	23-09-2022	% change
EUR/USD	0.9836	0.9687	(1.5)
GBP/USD	1.1261	1.0859	(3.6)
USD/JPY	142.39	143.31	(0.6)
USD/INR	80.87	80.99	(0.2)
USD/CNY	7.0781	7.1283	(0.7)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (stable) and US (lower), global yields closed higher. UK's 10Y yield shot up the most by 33bps on account of its expansionary fiscal policy, which might aggravate inflationary pressure. US 10Y yield fell by 3bps as flash PMI print was better than expected. India's 10Y yield rose by 8bps (7.39%), as aggressive policy rate hike by major global central banks upped expectation of faster pace of rate hike by RBI. It is trading at 7.38% today.

Fig 3 – Bond 10Y yield

	22-09-2022	23-09-2022	change in bps
US	3.71	3.68	(3)
UK	3.50	3.83	33
Germany	1.97	2.02	6
Japan	0.24	0.24	0
China	2.65	2.68	3
India	7.31	7.39	8

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-09-2022	23-09-2022	change in bps
Tbill-91 days	5.87	5.86	(1)
Tbill-182 days	6.37	6.39	2
Tbill-364 days	6.63	6.70	7
G-Sec 2Y	6.89	7.00	11
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.26	2.25	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-09-2022	23-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.2)	0.1
Reverse repo	0.8	0.4	(0.4)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-09-2022	22-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(167.3)	(333.2)	(165.9)
Debt	(132.4)	(57.2)	75.2
Equity	(34.9)	(275.9)	(241.1)
Mutual funds (Rs cr)	152.6	928.3	775.7
Debt	(107.6)	446.3	553.9
Equity	260.2	482.1	221.9

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 7th and 8th Sep 2022

- Global commodity prices moderated amidst concerns of muted demand. Crude oil prices fell by 4.8% to a near 9-month low of US\$ 86.2/bbl.

Fig 7 – Commodities

	22-09-2022	23-09-2022	% change
Brent crude (US\$/bbl)	90.5	86.2	(4.8)
Gold (US\$/ Troy Ounce)	1,671.2	1,643.9	(1.6)
Copper (US\$/ MT)	7,739.0	7,518.0	(2.9)
Zinc (US\$/MT)	3,122.3	3,020.3	(3.3)
Aluminium (US\$/MT)	2,228.5	2,165.0	(2.8)

Source: Bloomberg, Bank of Baroda Research



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