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Global markets got breather from China's removal of Covid-19 restrictions for inbound travellers. Further, China's management of Covid-19 will also be downgraded to less strict Category B from the current top Category A. On macro data front, China's industrial profit declined by 3.6% during Jan-Nov'22 compared to 3% decline seen during Jan-Oct'22. This was primarily on account of the laggard economic activity due to Covid-19 related restrictions. Elsewhere, in Japan, retail sales remained disappointing declining by 1.1% on MoM basis in Nov'22 (est.: 0.2% increase). On the domestic front, reports showed that Centre will bear the entire burden of providing free food grains to 813.5mn poor under NFSA. Total outgo for schemes under NFSA is estimated at Rs 2lakh crore.

- Asian indices closed higher as investor sentiment was buoyed by hopes that the Fed may relent from its aggressive rate path. Nikkei and Shanghai Comp rose by 0.7% and 0.6% respectively. Stock indices in major advanced economies such as the US and UK remained closed. After falling for 4-straight sessions, Sensex rose by 1.2%. Power and real estate stocks gained the most. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	23-12-2022	26-12-2022	% change
Dow Jones	33,027	33,204	0.5
S & P 500	3,822	3,845	0.6
FTSE	7,469	7,473	0
Nikkei	26,235	26,406	0.7
Hang Seng	19,679	19,593	(0.4)
Shanghai Comp	3,046	3,066	0.6
Sensex	59,845	60,566	1.2
Nifty	17,807	18,015	1.2

Source: Bloomberg, Bank of Baroda Research, Note: Markets in US and UK were closed on 26 Dec 2022

- Global currencies edged up against the dollar. Easing core PCE inflation in the US raised expectations that the Fed may soften its aggressive stance. CNY gained the most by 0.4%, and is trading further higher today as China eased Covid-19 curbs further. INR too appreciated by 0.3%. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	23-12-2022	26-12-2022	% change
EUR/USD (1 EUR / USD)	1.0617	1.0637	0.2
GBP/USD (1 GBP / USD)	1.2053	1.2062	0.1
USD/JPY (JPY / 1 USD)	132.91	132.88	0.0
USD/INR (INR / 1 USD)	82.87	82.65	0.3
USD/CNY (CNY / 1 USD)	6.9900	6.9627	0.4

Source: Bloomberg, Bank of Baroda Research



- Except China, global yields closed higher. Sharp jump in oil prices and elevated concerns of inflation, made investors cautious about the future policy direction of major economies, which might indeed impact the trajectory of yields. In China, expectation of more stimulus amidst lifting of Covid related restrictions led 10Y yield inch lower. India's 10Y yield closed flat at 7.32%. It is trading at 7.31% today.

Fig 3 – Bond 10Y yield

	23-12-2022	26-12-2022	change in bps
US	3.68	3.75	7
UK	3.59	3.64	5
Germany	2.36	2.40	4
Japan	0.39	0.45	6
China	2.87	2.85	(2)
India	7.32	7.32	0

Source: Bloomberg, Bank of Baroda Research Note: Markets in US, UK and Germany were closed on 26 Dec 2022

Fig 4 – Short term rates

	23-12-2022	26-12-2022	change in bps
Tbill-91 days	6.43	6.39	(4)
Tbill-182 days	6.71	6.70	(1)
Tbill-364 days	6.88	6.88	0
G-Sec 2Y	6.94	6.97	3
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	23-12-2022	26-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.2)	0.1
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	22-12-2022	23-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	149.8	(106.4)	(256.2)
Debt	9.6	(0.5)	(10.1)
Equity	140.1	(105.9)	(246.1)
Mutual funds (Rs cr)	1,903.3	650.0	(1,253.4)
Debt	690.8	313.9	(376.9)
Equity	1,212.5	336.1	(876.5)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 21 and 22 Dec 2022

Fig 7 – Commodities

	22-12-2022	23-12-2022	% change
Brent crude (US\$/bbl)	81.0	83.9	3.6
Gold (US\$/ Troy Ounce)	1,792.5	1,798.2	0.3
Copper (US\$/ MT)	8,290.5	8,328.0	0.5
Zinc (US\$/MT)	2,965.0	2,987.0	0.7
Aluminium (US\$/MT)	2,406.0	2,389.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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