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Russia-Ukraine conflict continued to dominate global markets and outweighed stronger than expected US jobs report and comments from Fed Chair. Global stocks fell and commodity prices surged higher as Russia captured Europe's largest nuclear plant in Ukraine. Oil prices have risen to US\$ 128/bbl today, leading to a 3% decline in Sensex. INR too is likely to open lower and breach the 76/\$ mark.

- Global indices ended lower weighed down by Russia-Ukraine conflict and surging oil prices. FTSE dropped the most by 3.5%, followed by Hang Seng which declined by 2.5%. Sensex too declined by 1.4%, led by global cues. Auto, metals and real estate sectors were the most hit. Sensex is trading lower today as well, in line with other Asian equities.

Fig 1 – Stock markets

	3-03-2022	4-03-2022	% change
Dow Jones	33,795	33,615	(0.5)
S & P 500	4,363	4,329	(0.8)
FTSE	7,239	6,987	(3.5)
Nikkei	26,577	25,985	(2.2)
Hang Seng	22,467	21,905	(2.5)
Shanghai Comp	3,481	3,448	(1.0)
Sensex	55,103	54,334	(1.4)
Nifty	16,498	16,245	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose by 0.2% as US payroll additions were higher than estimated in Feb'22. On the other hand, EUR fell sharply by 1.2% to its lowest since May'20 on the back of weaker than expected macro data (EU retails sales and Germany exports). INR depreciated by 0.3% to a 3-month low as oil prices inched up. Asian currencies are trading lower today.

Fig 2 – Currencies

	3-03-2022	4-03-2022	% change
EUR/USD	1.1066	1.0928	(1.2)
GBP/USD	1.3348	1.3230	(0.9)
USD/JPY	115.46	114.82	0.6
USD/INR	75.91	76.17	(0.3)
USD/CNY	6.3203	6.3196	0

Source: Bloomberg, Bank of Baroda Research

- Global yields closed lower, with sharp decline seen in 10Y yields of US (11bps), UK and Germany (9bps each). Investors are not expecting aggressive rate hikes by major central banks (US Fed, BoE and ECB) this month. India's 10Y fell by 1bps to 6.81%, amidst speculations that there will be no additional borrowing by the government this year.



Fig 3 – Bond 10Y yield

	3-03-2022	4-03-2022	% change
US	1.84	1.73	(11)
UK	1.30	1.21	(9)
Germany	0.02	(0.07)	(9)
Japan	0.18	0.16	(1)
China	2.85	2.82	(2)
India	6.83	6.81	(1)

Source: Bloomberg, Bank of Baroda Research

- Short term yields closed mixed, with yields on the shorter-end inching up and that on the longer-end (365-days Tbill) inching down.

Fig 4 – Short term rates

	3-03-2022	4-03-2022	% change
Tbill-91 days	3.69	3.68	2
Tbill-182 days	4.15	4.14	1
Tbill-364 days	4.43	4.47	(1)
G-Sec 2Y	4.85	4.85	1
SONIA int rate benchmark	0.44	0.45	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	3-03-2022	4-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(8.0)	(7.4)	0.6
Reverse repo	6.9	5.4	(1.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	2-03-2022	3-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(729.7)	(896.8)	(167.1)
Debt	(194.0)	(34.2)	159.9
Equity	(535.7)	(862.6)	(326.9)
Mutual funds (Rs cr)	2,688.4	(1,500.7)	(4,189.2)
Debt	(1,017.9)	(2,187.0)	(1,169.1)
Equity	3,706.4	686.3	(3,020.1)

Source: Bloomberg, Bank of Baroda Research | Note: Data for MFs pertains to 28 Feb and 2 Mar 2022

- International oil prices rose steeply by 6.9% to US\$ 118/bbl. News of possible US-Iran agreement which will allow Iranian oil supply into the global markets, was offset by escalating Russia-Ukraine tensions.

Fig 7 – Commodities

	3-03-2022	4-03-2022	% change
Brent crude (US\$/bbl)	110.5	118.1	6.9
Gold (US\$/ Troy Ounce)	1,936.0	1,970.7	1.8
Copper (US\$/ MT)	10,383.5	10,702.0	3.1
Zinc (US\$/MT)	3,933.5	4,071.3	3.5
Aluminum (US\$/MT)	3,716.5	3,849.0	3.6

Source: Bloomberg, Bank of Baroda Research



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