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Oil prices continued to edge upwards amidst reports that US is likely to impose sanctions on Russia's energy sector. Global stocks and currencies fell as investors assessed the economic fallout from higher oil prices on growth. Even on the domestic front, higher oil prices have raised concerns over growth, inflation, external stability and fiscal deficit. Hence, Sensex fell, bond yields shot up by 7bps and INR depreciated to a record-low.

- Global indices continued to fall as Russia-Ukraine conflict lingered on and oil prices surged to a 20-year high. Hang Seng fell sharply by 3.9%, followed by S&P 500 which dropped by 3%. Sensex too declined by 2.7%. Real estate, auto and bank stocks led the decline. Sensex is trading further lower today, in line with other Asian equities.

Fig 1 – Stock markets

	4-03-2022	7-03-2022	% change
Dow Jones	33,615	32,817	(2.4)
S & P 500	4,329	4,201	(3.0)
FTSE	6,987	6,959	(0.4)
Nikkei	25,985	25,221	(2.9)
Hang Seng	21,905	21,058	(3.9)
Shanghai Comp	3,448	3,373	(2.2)
Sensex	54,334	52,843	(2.7)
Nifty	16,245	15,863	(2.4)

Source: Bloomberg, Bank of Baroda Research

- Except CNY (flat), other global currencies closed lower. DXY rose by 0.7% to its highest since May'20 on the back of safe-haven demand. EUR depreciated further by 0.7% to a 22-month low on concerns over growth outlook. INR depreciated by 1% to a historic low led by higher oil prices and FII outflows. Asian currencies are further trading lower today.

Fig 2 – Currencies

	4-03-2022	7-03-2022	% change
EUR/USD	1.0928	1.0854	(0.7)
GBP/USD	1.3230	1.3104	(1.0)
USD/JPY	114.82	115.32	(0.4)
USD/INR	76.17	76.97	(1.0)
USD/CNY	6.3196	6.3208	0

Source: Bloomberg, Bank of Baroda Research

- Barring Japan (lower), other global yields closed higher. 10Y yields in UK (10bps), Germany (5bps) and US (4bps) rose the most. Surging oil prices have again stoked concerns over rising inflation. India's 10Y too rose by 7bps to 6.89%, amidst rising oil prices.



Fig 3 – Bond 10Y yield

	4-03-2022	7-03-2022	% change
US	1.73	1.77	4
UK	1.21	1.30	10
Germany	(0.07)	(0.02)	5
Japan	0.16	0.15	(2)
China	2.82	2.84	1
India	6.81	6.89	7

Source: Bloomberg, Bank of Baroda Research

- Short-term yields closed mixed, with yields on the shorter-end closing flat and that on the longer-end (365-days T-bill) inching down by 2bps.

Fig 4 – Short term rates

	3-03-2022	4-03-2022	% change
Tbill-91 days	3.69	3.68	0
Tbill-182 days	4.15	4.14	0
Tbill-364 days	4.43	4.47	(2)
G-Sec 2Y	4.85	4.85	5
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	4-03-2022	7-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.4)	(7.9)	(0.5)
Reverse repo	5.4	7.7	2.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	3-03-2022	4-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(896.8)	(1,133.3)	(236.5)
Debt	(34.2)	(148.2)	(114.1)
Equity	(862.6)	(985.1)	(122.5)
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 by 4.3% to US\$ 123/bbl, as Russia-Ukraine tensions continue to weigh on investor sentiments. Gold prices too rose by 1.4% on the back of rising fears of US inflation.

Fig 7 – Commodities

	4-03-2022	7-03-2022	% change
Brent crude (US\$/bbl)	118.1	123.2	4.3
Gold (US\$/ Troy Ounce)	1,970.7	1,998.1	1.4
Copper (US\$/ MT)	10,702.0	10,255.5	(4.2)
Zinc (US\$/MT)	4,071.3	4,133.0	1.5
Aluminum (US\$/MT)	3,849.0	3,740.0	(2.8)

Source: Bloomberg, Bank of Baroda Research



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