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Global markets remained jittery amidst rising risks to global growth. High inflation, policy tightening, Russia-Ukraine war, China's lockdown and European sanction on Russian energy imports threaten to derail economic recovery. As a result, global stocks and currencies declined. Investors await US inflation data due late in the week. In India, concerns over inflation and fiscal deficit has put pressure on treasury yields and INR. While India's 10Y yield is currently trading near a 3-year high, INR opened at a record low today. Equity markets too are witnessing a sharp sell-off.

- Except Nikkei, other global equities declined. Market sentiments were muted as investors assessed the impact of policy tightening on growth. Shanghai Comp fell by 2.2% as China continued with stringent lockdown measures to curb the spread of Covid-19 outbreak. FTSE fell by 1.5% amidst concerns over recession risks outlined by BoE. Sensex fell sharply by 1.6% dragged lower by real estate and metal stocks. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	05-05-2022	06-05-2022	% change
Dow Jones	32,998	32,899	(0.3)
S & P 500	4,147	4,123	(0.6)
FTSE	7,503	7,388	(1.5)
Nikkei	26,819	27,004	0.7
Hang Seng	20,793	20,002	(3.8)
Shanghai Comp	3,068	3,002	(2.2)
Sensex	55,702	54,836	(1.6)
Nifty	16,683	16,411	(1.6)

Source: Bloomberg, Bank of Baroda Research

- Barring EUR (higher), other global currencies closed lower. DXY index fell marginally by 0.1% even as US payroll additions rose more than expected. EUR rose by 0.1% supported by hawkish comments from ECB officials. INR depreciated by 0.9% as oil prices increased. It is trading above its historic low at 77/\$ today. Other Asian currencies are also trading lower.

Fig 2 – Currencies

	05-05-2022	06-05-2022	% change
EUR/USD	1.0542	1.0551	0.1
GBP/USD	1.2362	1.2348	(0.1)
USD/JPY	130.20	130.56	(0.3)
USD/INR	76.26	76.93	(0.9)
USD/CNY	6.6558	6.6668	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except China (stable), global yields closed higher. US 10Y yield rose by 9bps as non-farm payroll additions rose more than expected in Apr'22. Even Germany's 10Y yield rose by 9bps on expectation that ECB may start its rate hike cycle in



Jul'22 amidst persisting level of record high inflation. India's 10Y yield rose by 5bps despite favourable auction results. It is trading higher at 7.48% today.

Fig 3 – Bond 10Y yield

	05-05-2022	06-05-2022	change in bps
US	3.04	3.13	9
UK	1.96	2.00	3
Germany	1.04	1.13	9
Japan	0.23	0.24	1
China	2.83	2.83	0
India	7.40	7.45	5

Source: Bloomberg, Bank of Baroda Research

- India's short term yields rose sharply, with 182-days TBill rising by 58bps. This is on expectation of a faster pace of rate hikes by RBI in its upcoming policies.

Fig 4 – Short term rates

	04-05-2022	05-05-2022	% change
Tbill-91 days	4.03	4.51	48
Tbill-182 days	4.51	5.09	58
Tbill-364 days	5.18	5.42	24
G-Sec 2Y	5.59	6.15	56
SONIA int rate benchmark	0.69	0.94	25
US SOFR	0.30	0.79	49

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-05-2022	06-05-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.5)	(4.7)	0.8
Reverse repo	5.0	0.5	(4.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-05-2022	05-05-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(382.4)	(189.4)	193.0
Debt	(7.5)	15.7	23.2
Equity	(374.9)	(205.1)	169.8
Mutual funds (Rs cr)	1,232.5	(1,152.8)	(2,385.4)
Debt	(329.0)	(1,459.9)	(1,130.9)
Equity	1,561.5	307.1	(1,254.4)

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 1.3% to US\$ 112/bbl as EU is planning to phase out import of Russian refined products by end of CY22. Gold prices rose by 0.4% as recession concerns flagged by BoE boosted safe haven demand.

Fig 7 – Commodities

	05-05-2022	06-05-2022	% change
Brent crude (US\$/bbl)	110.9	112.4	1.3
Gold (US\$/ Troy Ounce)	1,877.2	1,883.8	0.4
Copper (US\$/ MT)	9,512.5	9,411.0	(1.1)
Zinc (US\$/MT)	3,924.3	3,787.8	(3.5)
Aluminium (US\$/MT)	2,916.0	2,842.0	(2.5)

Source: Bloomberg, Bank of Baroda Research



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