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Global markets reacted to surging US inflation and ECB comments on winding down its assets purchase programme sooner than expected. DXY strengthened and US equities fell as investors expect Fed to hike rates next week. Russia-Ukraine conflict lingered on as talks between the two sides ended in stalemate. However, oil prices eased further to US\$ 109/bbl. This supported INR and domestic yields.

- Global indices ended mixed. US stocks ended lower as US inflation rose to a 40-year high, strengthening the case for Fed to hike rates next week. FTSE fell by 1.3% led by decline in financial and oil stocks. Asian stocks however ended higher as oil prices eased. Nikkei surged the most by 3.9%, registering its biggest single-day gain in 21-months. Sensex too rose by 1.5% led by gains in real estate, metals and banking stocks. However it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	9-03-2022	10-03-2022	% change
Dow Jones	33,286	33,174	(0.3)
S & P 500	4,278	4,260	(0.4)
FTSE	7,191	7,099	(1.3)
Nikkei	24,718	25,690	3.9
Hang Seng	20,628	20,890	1.3
Shanghai Comp	3,256	3,296	1.2
Sensex	54,647	55,464	1.5
Nifty	16,345	16,595	1.5

Source: Bloomberg, Bank of Baroda Research

- Except INR (higher), other global currencies closed lower against the dollar. DXY rose by 0.6% as higher than expected US inflation print bolstered expectations of rate hike by Fed this month. On the other hand, EUR fell by 0.8% after ECB policy decision. INR appreciated by 0.3% as oil prices eased further. Asian currencies are trading mixed today.

Fig 2 – Currencies

	9-03-2022	10-03-2022	% change
EUR/USD	1.1076	1.0986	(0.8)
GBP/USD	1.3181	1.3086	(0.7)
USD/JPY	115.83	116.14	(0.3)
USD/INR	76.56	76.31	0.3
USD/CNY	6.3176	6.3222	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. Germany's 10Y yield rose the most by 6bps as ECB announced that it will phase out stimulus in Q3CY22. US 10Y yield rose by 3bps, as Treasury Secretary said that inflation will remain 'very uncomfortably



high' on the backdrop of Russia-Ukraine war. UK and China's 10Y yield closed stable. India's 10Y yield fell by 4bps to 6.81%, tracking moderation in oil prices.

Fig 3 – Bond 10Y yield

	9-03-2022	10-03-2022	% change
US	1.95	1.99	3
UK	1.53	1.52	0
Germany	0.22	0.27	6
Japan	0.17	0.19	3
China	2.86	2.86	0
India	6.85	6.81	(4)

Source: Bloomberg, Bank of Baroda Research

- Short end yields fell across the board supported by lower oil prices

Fig 4 – Short term rates

	9-03-2022	10-03-2022	% change
Tbill-91 days	3.84	3.81	(3)
Tbill-182 days	4.36	4.35	(1)
Tbill-364 days	4.68	4.61	(7)
G-Sec 2Y	5.02	4.98	(5)
SONIA int rate benchmark	0.44	0.44	0
US SOFR	0.05	0.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	9-03-2022	10-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(7.4)	(7.0)	0.4
Reverse repo	7.7	7.7	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	8-03-2022	9-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	(998.7)	(639.0)	359.7
Debt	(49.7)	(56.6)	(6.9)
Equity	(949.1)	(582.4)	366.6
Mutual funds (Rs cr)	5,618.1	(648.8)	(6,266.9)
Debt	382.9	(2,179.2)	(2,562.0)
Equity	5,235.2	1,530.4	(3,704.8)

Source: Bloomberg, Bank of Baroda Research

- Global oil prices fell by 1.6% as Russia committed to fulfill its contractual obligations. US is also planning to ease sanctions on Venezuela and in discussion to seal a deal with Tehran, which will support oil prices in the future. Gold prices inched up by 0.3%.

Fig 7 – Commodities

	9-03-2022	10-03-2022	% change
Brent crude (US\$/bbl)	111.1	109.3	(1.6)
Gold (US\$/ Troy Ounce)	1,991.8	1,997.0	0.3
Copper (US\$/ MT)	9,964.0	10,095.0	1.3
Zinc (US\$/MT)	3,916.3	3,842.5	(1.9)
Aluminum (US\$/MT)	3,341.0	3,427.5	2.6

Source: Bloomberg, Bank of Baroda Research



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