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ECONOMIST
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Global markets are monitoring movements in the oil markets and its impact on global inflation. Uncertainty has emerged around EU's embargo on Russian oil. Crude oil prices continues to remain elevated. Investors are thus expecting a faster than anticipated rate hike by Fed in the coming meetings. Domestically too, price pressures are seeing building up with consecutive rise in retail fuel prices.

- Global markets closed higher, led by gains in Asian stocks. Hang Seng rose the most (+3.1%), followed by Nikkei (+1.5%). Investors are monitoring the failed progress of negotiation between Russia and Ukraine and prospect of rate hike by central banks amidst inflationary concerns. Sensex rose by 1.2%, supported by oil and gas and technology stocks. It is trading further higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	21-03-2022	22-03-2022	Change, %
Dow Jones	34,553	34,807	0.7
S & P 500	4,461	4,512	1.1
FTSE	7,442	7,477	0.5
Nikkei	26,827	27,224	1.5
Hang Seng	21,221	21,889	3.1
Shanghai Comp	3,254	3,260	0.2
Sensex	57,292	57,989	1.2
Nifty	17,118	17,316	1.2

Source: Bloomberg, Bank of Baroda Research | Markets in Japan were closed on 21 Mar 2022

- Except EUR and GBP (higher), other global currencies closed lower. DXY remained flat (0%). While GBP gained the most (0.7%), JPY fell the most (1.1%). Pick up in equity market lured investors away from safe-haven assets. INR fell by 0.1% as oil prices remain elevated. It is likely to open weaker today as well, in line with other Asian currencies.

Fig 2 – Currencies

	21-03-2022	22-03-2022	% change
EUR/USD	1.1016	1.1029	0.1
GBP/USD	1.3169	1.3262	0.7
USD/JPY	119.47	120.80	(1.1)
USD/INR	76.13	76.19	(0.1)
USD/CNY	6.3559	6.3663	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed higher amidst concerns of elevated global inflation and its likely impact on Central Bank decisions. US 10Y yield rose the most (+9bps) followed by UK (+7bps). India's 10Y yield rose by 5bps (6.83%) as domestic pump prices continued to inch up.



Fig 3 – Bond 10Y yield

	21-03-2022	22-03-2022	% change
US	2.29	2.38	9
UK	1.64	1.71	7
Germany	0.47	0.51	4
Japan	0.21	0.22	1
China	2.82	2.84	2
India	6.78	6.83	5

Source: Bloomberg, Bank of Baroda Research | Markets in Japan were closed on 21 Mar 2022

- India's short end yields inched up, ahead of Rs 370bn T-Bill auction scheduled today.

Fig 4 – Short term rates

	21-03-2022	22-03-2022	% change
Tbill-91 days	3.73	3.76	3
Tbill-182 days	4.26	4.27	1
Tbill-364 days	4.59	4.62	3
G-Sec 2Y	4.97	5.00	3
SONIA int rate benchmark	0.69	0.69	0
US SOFR	0.30	0.29	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-03-2022	22-03-2022	Change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(5.1)	(5.3)	(0.2)
Reverse repo	4.6	4.1	(0.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-03-2022	21-03-2022	Change (US\$ mn/Rs cr)
FII (US\$ mn)	311.9	(335.7)	(647.5)
Debt	(99.2)	40.3	139.6
Equity	411.1	(376.0)	(787.1)
Mutual funds (Rs cr)	77.3	1,488.1	1,410.9
Debt	997.2	1,533.2	536.0
Equity	(920.0)	(45.0)	874.9

Source: Bloomberg, Bank of Baroda Research | Markets in India were closed on 18 Mar 2022

- Crude prices eased a tad by 0.1% but are still hovering around US\$ 116/bbl. Uncertainty around EU's ban on Russian oil kept the investors on edge. Gold prices too fell by 0.7% to its 1-week low, on expectation of faster pace of rate hike by Fed.

Fig 7 – Commodities

	21-03-2022	22-03-2022	% change
Brent crude (US\$/bbl)	115.6	115.5	(0.1)
Gold (US\$/ Troy Ounce)	1,935.9	1,921.7	(0.7)
Copper (US\$/ MT)	10,284.6	10,259.5	(0.2)
Zinc (US\$/MT)	3,947.5	3,903.3	(1.1)
Aluminum (US\$/MT)	3,521.0	3,504.5	(0.5)

Source: Bloomberg, Bank of Baroda Research



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