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Volatility in the global markets continued as investors braced for further rate hikes. Business sentiment index in Germany fell sharply, reinforcing expectations that the economy is likely to slip into a recession. Led by concerns over UK government's latest fiscal measures, GBP fell to a record-low, and UK's 10Y yield shot up. CNY slipped further to a 14-year low, even as PBOC announced a hike in the forex risk reserve ratio to arrest the currency's fall. Falling industrial profits in China raised fresh concerns over growth. Indian market too joined the global sell off with stocks at a near 2-month low and INR at a record low. 10Y bond yield however found support from a drop in oil prices.

- Except FTSE (flat), other global stocks ended lower. Concerns remain over growth, as OECD slashed global GDP forecast to 2.2% in CY23 versus 2.8% estimated earlier. Nikkei dropped the most, followed by US stocks. Sensex also fell by 1.6%, led by a decline in metal and real estate stocks. However, it is trading higher today, while Asian markets are trading mixed, monitoring China's industrial profits data which remained muted

Fig 1 – Stock markets

	23-09-2022	26-09-2022	% change
Dow Jones	29,590	29,261	(1.1)
S & P 500	3,693	3,655	(1.0)
FTSE	7,019	7,021	0
Nikkei	27,154	26,432	(2.7)
Hang Seng	17,933	17,855	(0.4)
Shanghai Comp	3,088	3,051	(1.2)
Sensex	58,099	57,145	(1.6)
Nifty	17,327	17,016	(1.8)

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated further. GBP fell by 1.6% to a record low led by concerns over the government's new fiscal measures. EUR too slipped by 0.8% to a 20-year low as Ifo's business climate index for Germany fell to a ~2-year low. DXY rose by 0.8% to a 20-year high. INR hit a new historic low of 81.63/\$. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	23-09-2022	26-09-2022	% change
EUR/USD	0.9687	0.9609	(0.8)
GBP/USD	1.0859	1.0689	(1.6)
USD/JPY	143.31	144.75	(1.0)
USD/INR	80.99	81.63	(0.8)
USD/CNY	7.1283	7.1372	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except India (lower), global yields closed higher. UK's 10Y yield shot up by 42bps as an expansionary fiscal policy and depreciating GBP raised expectations of aggressive policy response from BoE. US 10Y yield also rose by 24bps amidst hopes of faster pace of rate hikes by Fed. The spread between 2Y and 30Y paper widened to its sharpest since CY00. India's 10Y yield fell by 3bps (7.36%), supported by falling oil prices. It is trading lower at 7.34% today.

Fig 3 – Bond 10Y yield

	23-09-2022	26-09-2022	change in bps
US	3.68	3.92	24
UK	3.83	4.24	42
Germany	2.02	2.12	9
Japan	0.24	0.25	2
China	2.68	2.70	2
India	7.39	7.36	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	23-09-2022	26-09-2022	change in bps
Tbill-91 days	5.90	6.01	11
Tbill-182 days	6.40	6.54	14
Tbill-364 days	6.70	6.44	(26)
G-Sec 2Y	6.96	7.05	9
SONIA int rate benchmark	2.19	2.19	0
US SOFR	2.99	2.99	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	23-09-2022	26-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	(0.2)	0
Reverse repo	0.4	0.5	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	22-09-2022	23-09-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(333.2)	(350.8)	(17.6)
Debt	(57.2)	(29.4)	27.8
Equity	(275.9)	(321.3)	(45.4)
Mutual funds (Rs cr)	(1,024.0)	(1,495.2)	(471.2)
Debt	(1,620.8)	(1,382.6)	238.2
Equity	596.8	(112.6)	(709.4)

Source: Bloomberg, Bank of Baroda Research

- Crude oil prices fell further by 2.4% to a 9-month low of US\$ 84/bbl, weighed down by a stronger dollar and demand concerns.

Fig 7 – Commodities

	23-09-2022	26-09-2022	% change
Brent crude (US\$/bbl)	86.2	84.1	(2.4)
Gold (US\$/ Troy Ounce)	1,643.9	1,622.4	(1.3)
Copper (US\$/ MT)	7,518.0	7,430.0	(1.2)
Zinc (US\$/MT)	3,020.3	2,936.0	(2.8)
Aluminium (US\$/MT)	2,165.0	2,139.5	(1.2)

Source: Bloomberg, Bank of Baroda Research



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