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The news of Saudi Arabia continuing with its production cut of 1mbpd till Dec and Russia scaling back exports up to 300,000bbl/day has sent quite a bit of shock in the asset market. Crude prices rose to its highest since 16 Nov 2022 to touch the US\$ 90/bbl mark. Coupled with this, composite PMI data in the Eurozone dropped to its 33 month low, aggravating growth concerns. DXY also firmed up to its highest since 9 Mar 2023, creating a panic in the currency market. Japan's official even spoke of steps to be taken to arrest the currency's falling value. Against this backdrop, sell off in equity market was seen on the assumption of tighter liquidity conditions. Bond market also witnessed sell off amidst inflationary concerns. On domestic front, RBI governor cautioned against rising inflation in his current speech.

- Except Japan and India, stocks elsewhere ended in red. Fresh signs of a global growth slowdown emerged as services PMI in China, UK and Eurozone slipped into the contractionary zone in Aug'23. Higher oil prices also weighed on investor sentiments. Hang Seng fell the most, followed by Shanghai Comp. Sensex rose by 0.2%, led by gains in real estate and consumer durable stocks. It is trading further higher today, while other Asian indices are trading mixed.

Fig 1 – Stock markets

	4-09-2023	5-09-2023	% change
Dow Jones	34,838	34,642	(0.6)
S & P 500	4,516	4,497	(0.4)
FTSE	7,453	7,438	(0.2)
Nikkei	32,939	33,037	0.3
Hang Seng	18,844	18,457	(2.1)
Shanghai Comp	3,177	3,154	(0.7)
Sensex	65,628	65,780	0.2
Nifty	19,529	19,575	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended sharply lower. Growth concerns in China, UK and Europe exacerbated after weak services PMI, leading to increased demand for safe-haven dollar. DXY rose by 0.5% to a near 6-month high. JPY and EUR depreciated the most. INR too depreciated by 0.3% tracking global cues and higher oil prices. It is trading further weaker today, in line with its Asian peers.

Fig 2 – Currencies

	4-09-2023	5-09-2023	% change
EUR/USD (1 EUR / USD)	1.0796	1.0722	(0.7)
GBP/USD (1 GBP / USD)	1.2625	1.2564	(0.5)
USD/JPY (JPY / 1 USD)	146.47	147.72	(0.8)
USD/INR (INR / 1 USD)	82.75	83.04	(0.3)
USD/CNY (CNY / 1 USD)	7.2746	7.3033	(0.4)

Source: Bloomberg, Bank of Baroda Research



- Except China (tad lower) and India (stable), global yields closed higher. US and UK's 10Y yield rose the most tracking rise in oil prices. Fed officials spoke of a cautious approach on rates. UK's 10Y yield was also impacted by sharper than expected increase in sales data. India's 10Y yield is trading at 7.22% today.

Fig 3 – Bond 10Y yield

	4-09-2023	5-09-2023	change in bps
US	4.18	4.26	8
UK	4.46	4.53	6
Germany	2.58	2.61	3
Japan	0.64	0.66	1
China	2.65	2.64	(1)
India	7.21	7.21	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	4-09-2023	5-09-2023	change in bps
Tbill-91 days	6.80	6.81	1
Tbill-182 days	6.99	6.97	(2)
Tbill-364 days	7.01	6.98	(3)
G-Sec 2Y	7.12	7.13	2
India OIS-2M	6.74	6.75	1
India OIS-9M	6.98	6.98	1
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	4-09-2023	5-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.5)	0.1
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	1-09-2023	4-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	301.7	(290.4)	(592.1)
Debt	86.7	(3.2)	(89.9)
Equity	215.1	(287.1)	(502.2)
Mutual funds (Rs cr)	60.9	410.1	349.3
Debt	(900.6)	(31.0)	869.6
Equity	961.4	441.1	(520.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 22nd and 23rd Aug

- Oil prices rose to a 10-month high as Russia and Saudi Arabia extended output cuts to Dec'23.

Fig 7 – Commodities

	4-09-2023	5-09-2023	% change
Brent crude (US\$/bbl)	89.0	90.0	1.2
Gold (US\$/ Troy Ounce)	1,942.7	1,926.1	(0.9)
Copper (US\$/ MT)	8,437.3	8,482.5	0.5
Zinc (US\$/MT)	2,462.5	2,454.0	(0.3)
Aluminium (US\$/MT)	2,212.5	2,193.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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