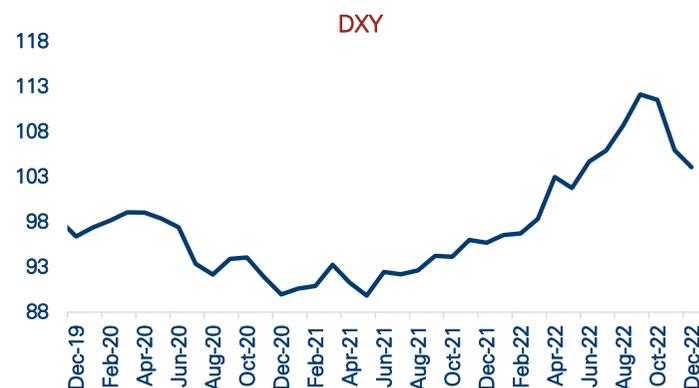


DXY has fallen sharply over the last month



Source: CEIC, ICICI Bank Research

Global Market roundup				
	Current level	Today	1 mth	1 Year Ago
Equities return (%)				
Dow Jones	33204	0.5	(3.3)	(7.6)
FTSE	7473	0.0	(0.2)	1.4
Nikkei	26543	0.5	(6.2)	(7.4)
Hong Kong	19593	(0.4)	11.5	(15.6)
Sensex	60566	1.2	(2.8)	5.5
10Y Bond yield (bps)				
US	3.73	(1.7)	5.3	225.5
UK	3.64	0.0	51.5	271.2
Japan	0.46	1.6	20.9	40.2
India	7.32	0.2	1.8	85.5
Currencies return (%)				
DXY INDEX	104.03	(0.3)	(1.8)	8.3
EURUSD	1.0649	0.1	3.0	(6.0)
GBPUSD	1.2098	0.3	1.2	(10.0)
USDJPY	132.83	(0.0)	(4.4)	15.6
USDINR	82.65	(0.3)	1.2	10.2
Commodity return (%)				
BBG Industrial Metal	164.7	0.6	6.0	(4.0)
Brent	84.7	1.0	1.3	7.8
Gold	1806.3	0.5	3.7	(0.3)

Source: Bloomberg, ICICI Bank Research

Key Developments

- **The BoJ Governor Kuorda stated that that the central bank's latest tweaks on its bond yield control program were not the beginning of an exit of monetary easing. Kuroda said the BOJ's decision last week to widen the allowance band around its yield target was aimed at enhancing the effect of its ultra-easy policy.**
- **"India's economy is relatively more insulated from global spillovers than other emerging markets as India is less exposed to international trade flows and relies on its large domestic market," as per a recent World Bank report titled 'Navigating the Storm'. While the deteriorating external environment will weigh on India's growth prospects, the economy is relatively well positioned to weather global spillovers compared to most other emerging markets, it added.**
- **The Food Corporation of India (FCI) will undertake open market sale of 2.0MT of wheat to bulk buyers such as flour millers, next month to curb rising prices of the grain as per official sources.**
- **China scrapped quarantine requirements for inbound passengers. As of January 8, people arriving in China will no longer be quarantined, though they will be required to obtain negative Covid test results within 48 hours of departure compares with the current requirement of eight days isolation.**
- **Head of Dutch Central Bank Klaas Knot said with five policy meetings between now and July 2023, the ECB would achieve "quite a decent pace of tightening" through half percentage point rises before borrowing costs eventually peaked by the summer.**

Global Market Developments:

- **JN:** Retail Sales fell to -1.1% MoM in November from 0.3% MoM in the previous month.
- **US stock markets were closed in the overnight session.**
- **Asian stock markets are trading largely higher this morning:** Shanghai Composite Index (+0.39%), Kospi (+0.59%) & Nikkei 225 (+1.08%) are trading in green while Australia ASX-200 & Hang Seng are closed today.
- **US markets are trading higher this morning:** The 10 Yr US yield is trading at 3.730% vs the previous close of 3.747%.

Domestic market developments:

- **The Indian Rupee closed stronger against the USD dollar in the previous trading session moving to the 82.65 level.**
- **The Indian bond markets closed flat with the yield on the 10-year sovereign bond closing at 7.31% in the previous session.**

	Remarks
DXY	DXY is trading lower at 104.05 level by 0.03% driven by an improvement in global risk sentiment and in response to China announcing that it would scrap quarantine restrictions for international passengers. We think that more downside in the near-term is possible.
EUR/USD	The EUR/USD pair is trading higher at 1.0648 level, by 0.08% led by hawkish comments from ECB member Klaas Knot, who hinted at policy tightening in the next five meetings. Given an upbeat risk sentiment and a light domestic calendar, more upside on the back of thin year-end trading volumes is possible.
GBP/USD	The GBP/USD pair is trading higher at 1.2086 level, by 0.22% led by an improvement in risk sentiment and a softer USD. We see more upside possibility in the near-term.
USD/JPY	The USD/JPY pair is trading flat at 132.85 level responding to dovish commentary from the BoJ Governor as well as softer than expected retail sales data for Japan. More upside possibility is possible in the near-term.
USD/CNY	The USD/CNY pair is trading lower in today's session at 6.9623 by 0.18% responding to the rise in global equity markets. The People's Bank of China (PBOC) set the yuan (CNY) at 6.9546 vs the prior close of 6.9605.
AUD/USD	The AUD/USD pair is trading higher in today's session at 0.6751 by 0.38% reflecting an improved global equity market performance, improvement in sentiment towards China and expectations that the FOMC is towards the last leg of its monetary regime.
USD/CAD	The pair is trading lower in today's session at 1.3548 by 0.24% linked to the broad-based US Dollar weakness on softer US data, as well as in response firmer prices of Canada's key export item, namely WTI crude oil. More downside in the near-term is possible.
Indian Equities	The benchmark equity indices are likely to open higher today as China announced relaxation in quarantine rules for inbound travellers indicating an official end to its zero-Covid-19 policy. This will continue to fuel the year-end rally which started yesterday on the back of favourable US economic data.
Indian Rupee	The USD/INR pair is expected to open lower today reflecting the global USD trend. Last week's positive US data supported the demand for riskier assets. However, higher oil prices will weigh on the local unit. Any sharp movement in the pair is unlikely on the back of expected RBI intervention.
India G-Sec	Government bond prices are expected to open steady today as participants may remain cautious as year-end nears amidst lack of any significant domestic cues. Higher oil prices may weigh. We expect prices to trade range bound this week.
Oil (Brent) (USD/bbl.)	Brent crude is trading higher at USD 85.22/bbl in response to news of Russia contemplating a cut in its oil production. In addition, news of China removing quarantine restrictions for international passengers bodes well for oil demand. We expect the commodity to trade with an upside in the near-term
Gold (USD/oz.)	Gold is trading higher at USD 1809.80/oz, by 0.31% amid improved risk sentiment in response to developments from China and moderating inflation expectations in the US. We expect the current upside to be limited given the low volume of trades expected this week, along with updates on Russia-Ukraine conflict.

ICICI Bank: ICICI Bank Towers, Bandra Kurla Complex, Mumbai- 400 051. Phone: (+91-22) 2653-1414

Economics Research Group			
Economics Research			
Sameer Narang	Head of Economic Research	(+91-22) 4008-1414 (ext. 6220)	sameer.narang@icicibank.com
Anagha Deodhar	Senior Economist – India Markets	(+91-22) 4008-1414 (ext. 7243)	anagha.deodhar@icicibank.com
Shivom Chakravarti	Senior Economist – Global Markets	(+91-22) 4008-1414 (ext. 6273)	shivom.chakravarti@icicibank.com
Debomitra Sen	Research analyst	(+91-22) 4008-1414 (ext. 8161)	debomitra.sen@icicibank.com
Aniket Gaikwad	Research Analyst	(+91-22) 2653-1414 (ext. 8161)	aniket.gaikwad@icicibank.com
Kaushal Aryan	Research Analyst	(+91-22) 2653-1414 (ext. 7249)	kaushalkumar.aryan@icicibank.com
Asha Sasikumar	Research Analyst	(+91-22) 2653-1414 (ext. 8236)	asha.sasikumar@icicibank.com
Jyoti Sharma	Research Analyst	(+91-22) 2653-1414 (ext. 8038)	sharma.jyoti@icicibank.com
Tanisha Ladha	Research Analyst	(+91-22) 2653-1414 (ext. 6746)	tanisha.ladha@icicibank.com
Aditya Sharma	Research Analyst	(+91-22) 2653-1414 (ext. 7309)	sharma.adi@icicibank.com
Dhairya Modi	Research Analyst	(+91-22) 2653-1414 (ext. 7309)	dhairya.modi@icicibank.com
Ashish Halder	Research Analyst	(+91-22) 2653-1414 (ext. 7309)	Halder.ashish@icicibank.com

Treasury Desks			
Treasury Sales	(+91-22) 6188-5000	Currency Desk	(+91-22) 2652-3228-33
Gsec Desk	(+91-22) 2653-1001-05	FX Derivatives	(+91-22) 2653-8941/43
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