

# MARKET UPDATE

**30/12/2022**

## **Indian rupee's worst behind it; inflows crucial in 2023**

The Indian rupee is likely to hold in a tight range in the early part of 2023 but the worst is possibly behind it, said traders and analysts.

The local currency has hovered close to its lifetime lows through most of December, but investors said it was not a cause for concern as they pinned hopes on inflows into equities and debt in 2023, on a possible recession in global economies.

"In the next six months, the rupee should outperform, now that it has caught up with Asian peers," said Abhilash Koikkara, head of forex, Nuvama Professional Clients Group.

"Equity flows should come back, as a recession is likely in global economies, but India should be shielded from it. Plus, an easing of commodity prices could help our trade deficit," he added.

India's current account deficit widened to a more than nine-year high in the July-September quarter on the back of high commodity prices, which pushed up the trade deficit, data from the Reserve Bank of India (RBI) showed on Thursday.

## **Coal, gas lead 2022 commodities rally; recession fears greet New Year**

Coal and natural gas markets were poised on Friday to end 2022 with strong gains after a global energy crisis triggered by the Russia-Ukraine war stoked a sharp upswing in prices, while tighter supplies expected in 2023 could fuel more gains.

Industrial metals, iron ore and rubber are on track to finish in negative territory, pushed down in 2022 by China's strict zero-COVID policy and fears of a world recession.

Agricultural markets, including grains and palm oil, jumped to all-time highs in March on adverse weather and pandemic-related supply disruptions, triggering food inflation, but those commodities gave up much of their gains in the second half.

"Despite the recent price declines, commodities will still likely finish the year as the best performing asset class...," Goldman Sachs (NYSE:GS) said in its 2023 commodity outlook. "From a fundamental perspective, the setup for most commodities next year is more bullish than it has been at any point since we first highlighted the Supercycle in October 2020."



## Oil set to end turbulent 2022 modestly higher

Oil prices edged up on Friday and were on track to post their second straight annual gains, albeit modest, in a stormy year marked by tight supplies due to the Ukraine war, a strong dollar and weakening demand from the world's top crude importer China.

Brent crude futures rose 20 cents, or 0.2%, to \$83.66 a barrel by 0445 GMT, after settling 1.2% down in the previous session.

Brent looked set to end the year with a 7.6% gain, after jumping 50.2% in 2021. Prices surged in March to a peak of \$139.13 a barrel, a level not seen since 2008, after Russia invaded Ukraine, sparking supply and energy security concerns.

U.S. West Intermediate crude was at \$78.63, up 23 cents, or 0.3%, after closing 0.7% lower on Thursday. It is on track to rise 4.5% in 2022, following a 55% gain last year.

While an increase in year-end holiday travel and Russia's ban on crude and oil product sales are supportive of oil prices, declining consumption due to a deteriorating economic environment next year will offset supply tightness, said CMC Markets analyst Leon Li.

"The global unemployment rate is expected to rise rapidly in 2023, restraining energy demand. So I think oil prices may fall to \$60 next year," he said.

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