

Executive Summary

The world anxiously observed the geopolitical conflict between India and Pakistan, a war at this time will capsize the going balance of global economy, which has been already shaken by global tariff wars. From global economic perspective the war between India and Pakistan have more impact because India has a major role in global supply chain along with United states, China and Germany. The flow of foreign institutional investors funds towards India amid tariff war shows their expectation in the growth of Indian economy. All these aspects will get severe blow if the conflict escalate towards a war. The war between Ukraine and Russia and war between Israel and Palestine have already influenced the global economy with rising inflation and food shortages. According to world bankⁱ, 12 million have been displaced due to Ukraine war and 13 million requires urgent humanitarian support. Just like India, Ukraine is not a major country for global supply chain, but it can inflict significant damage in terms of inflation. As per IMF reportsⁱⁱ, Russia and Ukraine combined accounted for a quarter of global wheat exports and Russia is a major supplier of fossil fuels, especially to Europe. As per world bank reportsⁱⁱⁱ, Russia and Ukraine are large exporters of commodity inputs that are upstream in many global value chains, shortages of these commodities may severely affect a wide range of industries globally, including food, construction, petrochemical and transport.

The role of Donald trump to mediate the dispute between India and Pakistan for ceasefire conjointly read with these recent developments in global economy. From global perspective India is the best alternative to counter against China even though it is impossible for exactly replicate China in terms of supply of goods. Any way the announcement of ceasefire by two countries had brought lot of relief to the global community.

Global markets traded relatively stable for the last week, more positive movements are witnessed in Japanese and Chinese stock markets. The better financial performance from Japanese companies fuelled the major trigger for optimism and 90 days pause on trade tariffs gives more relief to the Chinese markets. Most of the major currencies traded relatively stable and Turkish currency plummeted on substantial capital outflows followed by the arrest of Istanbul mayor Ekrem Imamoglu. Crude oil and precious metals traded with positive momentum whereas industrial metals copper and steel lacked significant volatility.

From global trade perspective, it is time to reshape the trade policies and address the critical factors influencing the economy with top priority. President Donald Trump decision to sign the executive order for implementing a “most favoured nation” pricing model for medication is such attempt to address the earlier studies which reveal that impact of tariff on pharmaceutical imports with result in 12.9% appreciation in cost. The new decision is aiming to reduce the US Drug prices by 30% to 80%^{iv}. The free trade agreement between India and UK as well as US and UK trade deal negotiations are all attempts to find balance in the economy at the time of turbulence.

World Stock Markets

The global market showed high resilience to the conflict between India and Pakistan and interestingly even Indian stock market reacted with less panic than normally expected high volatility similar to Pakistan stock markets. The 90 days trade pause between China and United States had significantly reduced the volatility of US markets. The better performance of technology stocks had moved the Japanese stock markets with more positive enthusiasm. The investors’ enthusiasm is more inclined towards semiconductor and artificial intelligence stocks. Companies like Advantest Corp, Tokyo Electron and Shin-Etsu made notable gains. The major acquisitions like Shionogi decision to acquire torii Pharmaceutical and NTT’s Buyout of NTT Data also influenced the sentiments. Following the path of united states stock markets , the European stock market also exhibited less volatility , the positive vibe from better performance by companies like adidas and puma and positive momentum in shipping stocks due to improved trade outlook was compensated by the decline in health care stocks since US decision to lower prescription drug prices had adversely affected the stock prices.

World Exchanges Weekly Sentiments						
	Pre Close	Open	High	Low	Last	% Change
1 S&P 500	5686.67	5655.32	5720.10	5578.64	5659.91	-0.47
2 NASDAQ Composite	17977.73	17817.01	18096.00	17503.01	17928.92	-0.27
3 Nikkei 225	36830.69	36903.66	37557.41	36606.71	37503.33	1.83
4 SSE Composite Index	3279.03	3295.25	3359.73	3286.99	3342.00	1.92
5 Hang Seng Index	22504.68	22576.56	23197.57	22449.16	22867.74	1.61
6 FTSE 100	8596.40	8596.40	8641.70	8514.00	8554.80	-0.48
7 Euro STOXX 50	5285.19	5270.34	5323.61	5210.59	5309.74	0.46
8 Nifty 50	24346.70	24419.50	24526.40	23935.75	24008.00	-1.39
9 DAX 40	23086.65	23064.26	23543.27	22861.40	23499.32	1.79
10 KOSPI	2559.79	2577.04	2590.90	2559.17	2577.27	0.68
* Weekly computed data						

Forex Market

Trade negotiations, fiscal policy decisions and central bank actions driven the sentiments in currency markets. Rupee weakened against dollar since the escalation to war between India and Pakistan had mainly driven the sentiments but the intervention of RBI through bond purchases and liquidity infusions had provided adequate protection to the currency. The major currencies showed less volatility due to the lack of fresh cues from market. The dollar status was potentially weakening due to shift of foreign investments from US assets to European region. The arrest of Istanbul mayor Ekrem Imamoglu had resulted in sharp decline of Turkish Lira since the political unrest had resulted in selling of \$25 billion foreign currency reserves and currency responded with bear hug due the substantial capital outflows. Overall dollar strengthened against the basket of six major currencies due to the temporary halt tariff war together with cautious fiscal policy decisions.

Currencies Weekly Sentiments						
	Pre Close	Open	High	Low	Last	% Change
1 EUR/USD	1.1303	1.1323	1.1378	1.1200	1.1255	-0.42
2 USD/JPY	144.9400	144.6240	146.1660	142.3630	145.4290	0.34
3 GBP/USD	1.3268	1.3271	1.3401	1.3214	1.3304	0.27
4 AUD/USD	0.6387	0.6445	0.6511	0.6373	0.6393	0.09
5 USD/CAD	1.3822	1.3822	1.3941	1.3767	1.3940	0.85
6 USD/MXN	19.5660	19.6101	19.7773	19.4356	19.4356	-0.67
7 USD/CNY	7.2706	7.2706	7.2706	7.2163	7.2252	-0.62
8 USD/SGD	1.2992	1.2964	1.3028	1.2862	1.2977	-0.12
9 USD/INR	84.5190	84.5263	86.0829	72.9671	85.4136	1.06
10 USD/HKD	7.7506	7.7506	7.7789	7.7491	7.7788	0.36
* Weekly computed data						

Commodities Market

After the constant decline in crude oil prices the market shown a tendency for recovery in the last week. The brent crude and crude oil posted 4.27 and 4.68 movement adequately support by the 90 days pause for trade tariff between US and China. The surplus in production due to the rift between the oil producing countries had offset due to prospectus in buying demand in crude oil due to temporary pause between the major consumers like US and China. Recovery movement had been observed in gold since the rise in geopolitical risk especially between India and China had rekindled the thought of safe haven. However, the impact is expected to be short lived due to the declaration of ceasefire at the end of the week and the mediation of President Donald trump had become fruitful to deescalate the tensions between the nations.

Industrial metal like copper shown the tendency for recovery due to the weakening of tariff war which is expected to rekindle economic prospects against the impending slow down.

Commodities Weekly Sentiments						
	Pre Close	Open	High	Low	Last	% Change
1 Brent Crude Oil (USD/Bbl)	61.290	60.530	63.990	59.570	63.910	4.27
2 Crude Oil WTI (USD/Bbl)	58.290	57.470	61.110	56.460	61.020	4.68
3 Natural Gas (USD/MMBtu)	3.6300	3.6430	3.8150	3.4230	3.7950	4.55
4 Gold Spot (USD/t.oz)	3239.3	3248.00	3438.90	3241.10	3324.30	2.62
5 Silver(USD/t.oz)	32.0050	32.0570	33.2490	31.9960	32.7130	2.21
6 Copper (USD/Lbs)	4.6471	4.6276	4.7609	4.4354	4.6066	-0.87
7 Steel Rebar (CNY/T)	3052.00	3100.00	3129.00	3041.00	3049.00	-0.10
8 Aluminium (USD/T)	2440.40	2442.80	2444.30	2376.30	2421.10	-0.79
9 Wheat (USD/Bu)	526.50	525.25	525.25	504.25	504.25	-4.23
10 Soyabean	1048.8	1045.50	1048.00	1030.00	1044.00	-0.46
* Weekly computed data						

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The views are expressed for the purpose of study only and not an advice to any traders or investors in the market. Trading/investing in Financial markets involves considerable risk and you may lose part or all of the initial investment. It is not ideal for all types of investors, and you are advised to seek professional assistance before the same. Past performance may not necessarily be repeated in the future. The news and views posted on this report are based on information, which are believed to be accurate. The author cannot be held responsible for the accuracy of the content posted on this report or for decisions taken by the readers based on such information.

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