

MACRO DAILY

01 December 2021

Macro developments

- India's central government fiscal deficit eased to 6.4% of GDP (12MMA basis) in Oct'21 from 6.6% in Sep'21. This has been achieved on the back of higher revenue growth, which has allowed spending to pick up pace. On FYTD basis, gross tax revenue has risen to Rs 13.6tn versus, registering 56% jump on YoY basis and 30% rise over 2-year horizon. Within this, direct tax collections are up by 24% compared with FY20 and indirect tax collections are up by 35%. Overall spending has risen to Rs 18.3tn, up by 10.4% compared with FY20.
- India's manufacturing PMI rose to 57.6 in Nov'21 (highest in 10-months) from 55.9 in Oct'21, owing to increase in domestic demand. This led to sharp rise in production (highest in 9-months), increased input buying and pick up in hiring activity. Input prices remained elevated, unchanged from Oct'21 (92-month high), owing to supply side shortages and rising transportation cost. Future business optimism index slipped to 17-month low as companies are concerned about higher inflationary pressures denting domestic demand.
- US Conference Board consumer confidence index fell to a 9-month low of 109.5 (est. 110.9) in Nov'21 from 111.6 in Oct'21. This was led by moderation in both current situation (142.5 from 145.5) and expectations (87.6 from 89.0) index. Rising prices and Covid-19 impacted sentiments. Inflation expectation jumped to its highest since Jun'08 at 7.6% versus 7.1% in Oct'21. Consumers were less willing to buy items such as houses, vehicles and other appliances in the next 6-months. However, consumers' assessment of labour market remained strong.

Markets

- Bonds:** Except China (stable), global yields closed lower amidst uncertainty over impact of new Covid-19 variant. US 10Y yield fell by 5bps (1.44%), as benign consumer confidence print outweighed hawkish comments from US Fed. Crude prices fell by 3.9% (US\$ 71/bbl) due to concerns of muted demand. India's 10Y yield fell a tad by 1bps (6.33%). It is trading higher at 6.35% today, amidst news reports that fiscal deficit/GDP may reach 7% in FY22 (BE 6.8%).
- Currency:** Global currencies closed mixed. DXY fell by 0.4% as US consumer confidence index dipped more than expected. JPY rose on safe-haven demand amidst concerns over efficiency of vaccines against Omicron. GBP fell by 0.1% as hopes of rate hike by BoE dimmed. INR fell by 0.1% even as oil prices slipped. However it is trading higher today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp (flat) other global indices ended lower as investors monitored hawkish comments by Fed Chair and fears resurfaced over new Covid-19 variant. Dow (1.9%) dropped the most followed by Nikkei (1.6%). Sensex (0.3%) too ended in red led by sharp losses in metal stocks. However, it is trading higher today in line with other Asian stocks.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.44	(5)	(22)	(11)	14	52
UK	0.81	(5)	(19)	(23)	10	46
Japan	0.06	(2)	(2)	(4)	3	4
Germany	(0.35)	(3)	(13)	(24)	3	18
India	6.33	(1)	(4)	(6)	11	48
China	2.86	0	(5)	(11)	1	(44)
2Y yields (Δ bps)						
US	0.57	8	(5)	7	36	40
UK	0.48	(2)	(11)	(23)	27	50
Japan	(0.12)	(1)	1	(3)	0	0
Germany	(0.74)	1	(1)	(15)	(2)	(2)
India	4.54	(4)	(1)	8	42	61
China	2.49	0	(2)	(1)	2	(49)
Currencies (Δ %)						
EUR	1.1338	0.4	0.8	(1.9)	(4.0)	(6.1)
GBP	1.3299	(0.1)	(0.6)	(2.8)	(3.3)	(0.9)
JPY	113.17	0.3	1.7	0.7	(2.9)	(8.5)
AUD	0.7127	(0.2)	(1.4)	(5.2)	(2.6)	(3.3)
INR	75.17	(0.1)	(1.0)	(0.4)	(3.0)	(2.0)
CNY	6.3644	0.4	0.4	0.6	1.5	3.2
Equity & Other indices (Δ %)						
Dow	34,484	(1.9)	(3.7)	(3.7)	(2.5)	15.6
FTSE	7,059	(0.7)	(2.9)	(2.5)	(0.8)	10.6
DAX	15,100	(1.2)	(5.3)	(3.8)	(4.6)	12.8
NIKKEI	27,822	(1.6)	(6.6)	(3.7)	(1.0)	3.9
Shanghai Comp	3,564	0	(0.7)	0.5	0.6	3.2
SENSEX	57,065	(0.3)	(2.7)	(3.8)	(0.8)	27.8
Brent (US\$/bbl)	70.57	(3.9)	(14.3)	(16.4)	(3.3)	48.8
Gold (US\$/oz)	1,775	(0.6)	(0.8)	(0.5)	(2.2)	(2.2)
CRB Index	564.2	(0.6)	(1.4)	(1.2)	0.8	32.1
Rogers Agri Index	1,135.2	(2.6)	(5.0)	(0.8)	6.0	38.7
LIBOR (3M)*	0.18	0	0	4	6	(6)
INR 5Y Swap*	5.79	(7)	(14)	(13)	1	61
India FII data (US\$ mn)						
	29 Nov	26 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	69.6	(69.8)	69.6	103.2	32.8	2,060.1
FII-Equity	(485.2)	(495.6)	(485.2)	(58.1)	6,200.5	(1,125.8)

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps

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