

MACRO DAILY

10 January 2022

Macro developments

- India's foreign exchange reserves fell by US\$ 1.5bn to US\$ 633.6bn in the week ended 31 Dec 2021. Last week, forex reserves had fallen by US\$ 0.6bn. However, in FYTD22 so far, foreign exchange reserves have risen by US\$ 54.3bn, lower compared with an accretion of US\$ 105.3bn in the same period last year.
- US non-farm payroll additions eased sharply to 199k in Dec'21 (est.: 450k) from 249k in Nov'21. Hiring slowed in all sectors except in leisure and hospitality (+53k in Dec'21 versus 41k in Nov'21). Elsewhere, in transportation and warehousing, job additions slowed to 19k versus 42k, in professional and business services additions were down to 43k versus 72k, and in manufacturing and construction sector, they eased to 26k versus est.: 35k. Unemployment rate however fell to a fresh pandemic low of 3.9% in Dec'21 from 4.2% in Nov'21.
- Germany's industrial production in Nov'21 fell by 0.2% on MoM basis, following 2.4% increase in Oct'21. The dip was mainly on account of drop in production of energy (-4.4%) and construction (-0.8%). Excluding energy and construction, production in industry rose by 0.2%. This was supported by higher production of intermediate and consumer goods (up by 0.8% each) and production of autos (4.1%). Compared to pre-pandemic (Feb'20), overall industrial production was down by 7.1% in Nov'21.

Markets

- Bonds:** Except China (stable), global yields closed higher. US 10Y yield rose the most by 4bps (1.76%) as unemployment rate fell more than expected, indicating tight labour market conditions. Germany's 10Y yield rose by 2bps (-0.04%) as inflation in the Eurozone hit record high in Dec'21. Crude prices fell by 0.3% (US\$ 82/bbl) amidst geopolitical tensions. India's 10Y yield rose by 1bps (6.54%) on account of devolvement in auction. It is trading at 6.57% today.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.6% as US nonfarm payroll additions were lower than estimated. EUR gained the most by 0.6%, followed by GBP which rose by 0.4%. INR appreciated by 0.3% as oil prices moderated. It is trading further higher today, in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors monitored weaker than anticipated non-farm payroll report and higher inflation print in Eurozone. Amongst other indices, while Dax (0.6%) dropped the most, FTSE (0.5%) gained. Sensex (0.2%) too ended in green led by gains in oil and gas and banking stocks. It is trading further higher today, while other Asian stocks are trading mixed.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.76	4	25	29	15	68
UK	1.18	2	21	45	2	89
Japan	0.14	2	7	8	5	10
Germany	(0.04)	2	13	33	11	48
India	6.54	1	9	15	22	68
China	2.82	0	4	(6)	(9)	(31)
2Y yields (Δ bps)						
US	0.86	0	13	17	54	73
UK	0.83	2	14	37	29	97
Japan	(0.05)	3	4	6	5	6
Germany	(0.59)	1	3	11	10	11
India**	4.39	1	3	5	33	50
China	2.35	0	0	(14)	(14)	(27)
Currencies (Δ %)						
EUR	1.1360	0.6	(0.1)	0.8	(1.8)	(7.4)
GBP	1.3588	0.4	0.4	2.6	(0.2)	0.1
JPY	115.56	0.2	(0.4)	(1.7)	(3.0)	(11.3)
AUD	0.7181	0.3	(1.1)	0.9	(1.8)	(7.6)
INR	74.31	0.3	0	1.5	0.9	(1.3)
CNY	6.3778	0.1	(0.3)	(0.2)	1.0	1.6
Equity & Other indices (Δ %)						
Dow	36,232	0	(0.3)	1.4	4.3	16.7
FTSE	7,485	0.5	1.4	2.0	5.5	9.2
DAX	15,948	(0.6)	0.4	0.8	4.9	14.2
NIKKEI	28,479	0	(1.1)	0.1	1.5	3.6
Shanghai Comp	3,580	(0.2)	(1.7)	(0.4)	(0.4)	0.1
SENSEX	59,745	0.2	2.6	3.7	(0.5)	24.2
Brent (US\$/bbl)	81.75	(0.3)	5.1	8.4	(0.8)	50.3
Gold (US\$/oz)	1,797	0.3	(1.8)	0.7	2.2	(6.1)
CRB Index	583.7	0.3	0.9	2.2	3.8	29.9
Rogers Agri Index	1,205.0	0.7	1.0	3.6	7.3	34.2
LIBOR (3M)*	0.24	0	3	4	12	1
INR 5Y Swap*	5.80	0	0	10	(3)	40
India FII data (US\$ mn)						
	6 Jan	5 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	41.3	25.8	20.6	20.6	20.6	522.8
FII-Equity	(228.0)	79.4	345.1	345.1	345.1	(3,220.1)

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | **1Y yield

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