

## MACRO DAILY

11 January 2022

### Macro developments

- As per CMIE data, unemployment rate in India (30-day moving average) moderated to 7.55% from 7.74% in the previous week. Both rural and urban unemployment rate moderated to 6.98% and 8.78% respectively, from 7.13% and 9.06% in the previous week. However, on account of rising Covid cases in India (0.8mn versus 0.2mn last week), mobility and hence unemployment print is likely to be impacted in the near term.
- Wholesale inventories in the US rose by 1.4% in Nov'21 (2.5% in Oct'21), higher than 1.2% noted in the preliminary estimates. Build-up of inventories is expected to be positive for US' Q4CY21 GDP print and also suggests that supply chain bottleneck issues are resolving fast. Most of the improvement was seen in motor vehicles, furniture, computer equipment and electrical and hardware stocks.
- Euro Area's unemployment rate eased to 7.2% in Nov'21 from 7.3% in Oct'21 with number of unemployed persons down to 11.8mn (-222k MoM). Youth unemployment rate has also improved to 15.5% from 15.8% in Oct'21. However, barring Germany (3.2% versus 3.3%), unemployment still remains elevated despite some easing, across other major economies such as Spain (14.1% versus 14.4%), Italy (9.2% versus 9.4%) and France (7.5% versus 7.6%).

### Markets

- Bonds:** Global yields closed mixed as investors are cautious tracking rise in global Covid-19 cases (18mn versus 11mn increase in last week), higher inflation print globally and cues about Fed's policy tightening. US 10Y yield closed flat (1.76%). China's 10Y yield fell by 1bps (2.81%). Crude prices fell by 1.1% (US\$ 81/bbl) amidst geopolitical tensions. India's 10Y yield rose by 5bps (6.59%) on account of announcement of new 10Y security. It is trading at 6.58% today.
- Currency:** Barring GBP (flat) and EUR and AUD (lower), other global currencies closed higher. DXY rose by 0.3% amidst expectations of higher US inflation pushing Fed towards a rate hike in Mar'22. On the other hand, ECB's dovish stance despite rising prices led to 0.3% decline in EUR. INR rose sharply by 0.6%, supported by fall in crude oil prices. It is trading further higher today, in line with other Asian currencies.
- Equity:** Global indices ended mixed ahead of US inflation print and awaiting comments from Fed Chair. Dax fell the most by 1.1%, followed by FTS (down by 0.5%). Shanghai Comp rose by 0.4%. Sensex (1.1%) too ended in green led by gains in capital goods and real estate 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
<b>10Y yields (Δ bps)</b>						
US	1.76	0	13	28	15	61
UK	1.19	1	22	45	0	88
Japan	0.14	0	7	8	5	11
Germany	(0.03)	1	8	31	9	46
India	6.59	5	13	22	25	67
China	2.81	(1)	3	(7)	(16)	(36)
<b>2Y yields (Δ bps)</b>						
US	0.89	3	13	24	58	75
UK	0.84	1	15	41	25	96
Japan	(0.05)	0	4	5	5	7
Germany	(0.59)	1	1	11	9	11
India**	4.40	1	3	(13)	30	36
China**	2.15	(3)	(5)	(12)	(16)	(10)
<b>Currencies (Δ %)</b>						
EUR	1.1326	(0.3)	0.3	0.1	(2.0)	(6.8)
GBP	1.3577	0	0.7	2.3	(0.1)	0.4
JPY	115.20	0.4	0.1	(1.6)	(1.7)	(10.5)
AUD	0.7170	(0.1)	(0.3)	(0.0)	(2.5)	(6.8)
INR	74.04	0.6	0.3	2.3	1.8	(0.9)
CNY	6.3762	0.1	(0.3)	(0.1)	1.2	1.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	36,069	(0.4)	(1.4)	0.3	4.6	16.3
FTSE	7,445	(0.5)	0.8	2.1	4.2	9.5
DAX	15,768	(1.1)	(1.6)	0.9	3.7	13.1
NIKKEI	28,479	0	(1.1)	(1.3)	1.5	1.2
Shanghai Comp	3,594	0.4	(1.3)	(2.0)	0.1	1.8
SENSEX	60,396	1.1	2.0	2.7	0.4	22.6
Brent (US\$/bbl)	80.87	(1.1)	2.4	7.6	(3.3)	45.3
Gold (US\$/oz)	1,802	0.3	0.0	1.1	2.7	(2.3)
CRB Index	579.4	(0.7)	0.2	1.5	3.1	28.6
Rogers Agri Index	1,194.4	(0.9)	0.4	2.6	6.6	33.5
LIBOR (3M)*	0.24	0	3	4	12	1
INR 5Y Swap*	6.26	46	81	59	42	76
<b>India FII data (US\$ mn)</b>						
	<b>7 Jan</b>	<b>6 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	1.2	41.3	21.7	21.7	21.7	524.0
FII-Equity	66.4	(228.0)	411.5	411.5	411.5	(3,153.8)

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

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