

MACRO DAILY

15 December 2021

Macro developments

- India's trade deficit widened to a historic high of US\$ 22.9bn in Nov'21 from US\$ 19.7bn in Oct'21, as per final estimates. This was led by a slowdown in exports (27.2% versus 43% in Oct'21). Both oil and non-oil exports eased. Imports also moderated (56.6% from 62.5% in Oct'21), led by gold. Non-oil-non-gold imports also eased marginally. In FYTD22, trade deficit is already above the pre-pandemic level. Overall, we expect CAD at 1.5% of GDP in FY22 (surplus of 0.9% in FY21).
- US PPI rose more than expected by 0.8% in Nov'21 (est.: 0.5%) and against 0.6% in Oct'21, on MoM basis. PPI excl. food, energy and trade also rose by 0.7% from 0.4% in Oct'21. Sharpest increase was visible in transportation and warehousing (1.9% versus 1.1%). On a YoY basis, PPI rose to its highest since Nov'10 to 9.6% against 8.8% in Oct'21. Fed's upcoming policy is likely to be mindful of these developments along with tighter labour market conditions.
- China's industrial production rose (3.8%) more than expected (3%) in Nov'21 from Oct'21 (3.5%), while retail sales and FAI growth moderated. Within industrial production too, performance was divergent with production of crude steel and construction rebar steel falling (due to weak property sector demand) and that of hot rolled coil (used in auto production) rising. Separately, FAI growth eased to 5.2% in Jan-Nov'21 from 6.1% in Jan-Oct'21, dragged by property investment (6% versus 7.2%). Retail sales were also down to 3.9% in Nov'21 from 4.9% in Oct'21 led by restaurant and catering sector (-2.7%), amidst rising Covid-19 cases.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 3bps led by spike in PPI. UK's 10Y yield also rose by 3bps, supported by better payroll print. Japan's 10Y yield closed stable as BoJ Governor said that inflation may approach the targeted 2% level. Crude prices fell by 0.9% (US\$ 74/bbl) as OPEC+ commented on supply glut. Thus, India's 10Y yield fell by 2bps (6.36%). It is trading at 6.35% today.
- Currency:** Except GBP (higher) and CNY (flat), other global currencies closed lower against the dollar. DXY rose by 0.3% as US PPI rose more than expected. EUR fell by 0.2% as Ifo institute estimated Germany's GDP to contract in Q4CY21. INR depreciated by 0.1% to an 18-month low. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended lower as fears surrounding the new Covid-19 variant resurfaced. Dax (1.1%) fell the most followed by Nikkei (0.7%). Investors also await comments from major central banks. Sensex (0.3%) too ended in red amidst subdued global cues and was dragged down by auto and consumer durable stocks. It is trading further lower today in line with other Asian stocks.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.44	3	(3)	(12)	16	53
UK	0.72	3	(1)	(19)	(1)	46
Japan	0.05	0	0	(2)	0	5
Germany	(0.37)	1	1	(11)	(3)	24
India	6.36	(2)	(4)	(1)	16	47
China	2.88	(1)	0	(6)	(1)	(42)
2Y yields (Δ bps)						
US	0.66	2	(3)	15	45	54
UK	0.45	4	(2)	(8)	21	50
Japan	(0.11)	(1)	0	1	2	2
Germany	(0.68)	2	2	6	2	7
India	4.52	2	(1)	(4)	39	65
China	2.47	(2)	(2)	0	(4)	(45)
Currencies (Δ %)						
EUR	1.1259	(0.2)	(0.1)	(1.6)	(4.6)	(7.3)
GBP	1.3231	0.1	(0.1)	(1.4)	(4.2)	(1.7)
JPY	113.70	(0.1)	(0.1)	0.2	(3.7)	(9.7)
AUD	0.7104	(0.4)	(0.2)	(3.1)	(3.0)	(6.0)
INR	75.87	(0.1)	(0.6)	(1.9)	(3.0)	(3.0)
CNY	6.3672	0	0	0.2	1.1	2.6
Equity & Other indices (Δ %)						
Dow	35,544	(0.3)	(0.5)	(1.5)	2.8	17.7
FTSE	7,219	(0.2)	(1.7)	(1.8)	2.6	10.8
DAX	15,454	(1.1)	(2.3)	(4.0)	(1.7)	15.6
NIKKEI	28,433	(0.7)	(0.1)	(4.0)	(7.3)	6.5
Shanghai Comp	3,662	(0.5)	1.8	3.5	0	8.7
SENSEX	58,117	(0.3)	0.8	(4.2)	(0.2)	25.6
Brent (US\$/bbl)	73.70	(0.9)	(2.3)	(10.3)	0.1	45.2
Gold (US\$/oz)	1,771	(0.9)	(0.7)	(5.0)	(1.9)	(4.5)
CRB Index	566.9	(0.4)	(0.8)	(0.6)	2.1	29.8
Rogers Agri Index	1,165.8	0.2	0.2	(0.2)	9.9	39.8
LIBOR (3M)*	0.20	0	0	5	8	(3)
INR 5Y Swap*	5.65	(2)	(5)	(24)	(7)	38
India FII data (US\$ mn)						
	13 Dec	10 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	11.3	(101.1)	11.3	(320.1)	(236.7)	1,790.5
FII-Equity	(253.5)	(122.0)	(253.5)	(676.9)	4,825.6	(2,500.7)

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

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