

MACRO DAILY

17 December 2021

Macro developments

- As per news reports, advance tax collections in India have risen by 90% (YoY) in Q3FY22 (till 16 Dec 2021) to Rs 941bn from Rs 495bn in Q3FY21. Both corporate (Rs 544bn versus Rs 311bn) and income tax (+115% to Rs 397bn) collections have seen sharp rise. Within corporate tax, recovery is broad based, except certain sectors such as automobiles. In FYTD so far, advance tax collections are at Rs 3.45tn versus Rs 2.08tn in the same period last year. Net direct tax collections in FYTD22 have also been higher at Rs 8.3tn versus Rs 5tn last year.
- US industrial production moderated to 0.5% in Nov'21 (est. 0.7%) from 1.7% in Oct'21, led by manufacturing (0.7% versus 1.4% in Oct'21). Auto production slowed down to 2.2% in Nov'21 from 10.1%. Separately, US manufacturing PMI fell to a 1-year low of 57.8 in Dec'21 (from 58.3). Services PMI too inched down to a 3-month low of 57.5 from 58 in Nov'21. Separate data also showed that jobless claims for the week ended 11 Dec 2021 rose by 18k to 206k. Further, US housing starts rose by 11.8% to 1.7mn (highest since Mar'21) from 1.5mn in Oct'21.
- Bank of England (BoE) raised policy rate to 0.25% (+15bps) due to mounting inflation pressures (CPI rose to a 10-year high of 5.1% in Nov'21). Inflation is expected to remain around 5%, before peaking at 6% in Apr'22. Separately, while ECB kept rates steady, it reduced its bond buying under PEPP from Q1CY23. However, bond buying under APP will remain supportive. It expects inflation at 3.2% in CY22. Even BoJ signaled lowering its holdings of corporate bonds and CPs from Apr'22 onwards, while extending a program for lending to small business (by 6-months). Taiwan's central bank held rate steady at 1.125%, but raised its inflation projection (1.59% CY22 from 0.92%).

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Markets

- Bonds:** Global yields closed mixed, tracking policy decisions of major central banks. US 10Y yield fell by 5bps (1.41%) due to muted PMI print and also on account of trade restrictions on 30 Chinese research institutes. Crude prices rose by 1.5% (US\$ 75/bbl) supported by Fed's hawkish policy. India's 10Y yield rose a tad by 1bps (6.38%) and is trading flat today.
- Currency:** Except CNY (flat), other global currencies closed higher. DXY fell by 0.5% as US PMI slipped in Dec'21. GBP rose by 0.5% as BoE delivered a surprise rate hike. INR rose by 0.2% even as oil prices increased. However it is trading lower today, in line with other Asian currencies.
- Equity:** Barring Dow, other global indices ended higher. Investors assessed policy decisions of different central banks. Nikkei (2.1%) gained the most followed by Dax (1%). Sensex (0.2%) too ended in green, led by gains in IT and consumer durable stocks. However, it is trading 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	1.41	(5)	(9)	(20)	7	48
UK	0.76	2	0	(21)	(6)	47
Japan	0.05	(1)	0	(2)	(1)	4
Germany	(0.35)	1	1	(12)	(5)	22
India	6.38	1	3	3	21	48
China	2.90	1	1	(3)	1	(40)
2Y yields (Δ bps)						
US	0.61	(5)	(7)	10	39	49
UK	0.51	2	8	(6)	22	56
Japan	(0.11)	(1)	(1)	(1)	2	1
Germany	(0.69)	(1)	1	0	1	4
India	4.52	2	(7)	(1)	42	64
China	2.47	1	(3)	(4)	(5)	(43)
Currencies (Δ %)						
EUR	1.1330	0.4	0.3	(0.3)	(3.7)	(7.6)
GBP	1.3323	0.5	0.8	(0.7)	(3.4)	(1.9)
JPY	113.67	0.3	(0.2)	0.4	(3.6)	(10.2)
AUD	0.7184	0.2	0.5	(2.2)	(1.5)	(5.7)
INR	76.09	0.2	(0.8)	(2.2)	(3.5)	(3.4)
CNY	6.3683	0	0.1	0.2	1.4	2.5
Equity & Other indices (Δ %)						
Dow	35,898	(0.1)	0.4	(0.5)	3.3	18.5
FTSE	7,261	1.3	(0.8)	(1.2)	3.3	10.8
DAX	15,636	1.0	0	(3.2)	(0.1)	14.4
NIKKEI	29,066	2.1	1.2	(2.4)	(4.1)	8.4
Shanghai Comp	3,675	0.8	0.1	4.0	1.9	7.9
SENSEX	57,901	0.2	(1.5)	(4.6)	(2.1)	23.5
Brent (US\$/bbl)	75.02	1.5	0.8	(8.6)	(0.9)	45.7
Gold (US\$/oz)	1,799	1.3	1.4	(3.4)	2.6	(4.6)
CRB Index	569.2	0.5	(0.2)	(0.1)	2.4	30.1
Rogers Agri Index	1,170.8	1.3	0.8	0.2	9.1	38.4
LIBOR (3M)*	0.22	0	1	6	9	(2)
INR 5Y Swap*	5.65	0	(3)	(24)	(10)	36
India FII data (US\$ mn)						
	15 Dec	14 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(100.0)	(95.4)	(184.0)	(515.4)	(432.1)	1,595.2
FII-Equity	(348.6)	(4.1)	(606.2)	(1,029.6)	4,472.9	(2,853.4)

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

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