

## MACRO DAILY

18 November 2021

### Macro developments

- India's privatization program is expected to get a big boost in Q4FY22, as DIPAM is expected to close the privatization deal for 5-6 companies between Dec'21 and Jan'22. BPCL, BEML, Shipping Corp, Pawan Hans, Central Electronics and NINL will be the front-runners. LIC IPO is expected to hit the markets in Q1FY23. So far, only Rs 93bn has been collected through minority stake sales in PSUs and sale of SUUTI in Axis Bank versus BE of Rs 1.75tn.
- UK's CPI rose to a 10-year high of 4.2% in Oct'21 (est.: 3.9%) from 3.1% in Sep'21 on a YoY basis. This was led by a surge in prices of electricity, gas and fuel (22.9% in Oct'21 versus 2.8% in Sep'21). Separately, CPI inflation in the Euro Area also jumped to 4.1% in Oct'21 from 3.4% in Sep'21 (YoY). This was due to higher energy prices (23.7% in Oct'21 versus 17.6% in Sep'21). Core inflation (ex. energy and food) rose by 2.1% versus 1.9% in Sep'21.
- US housing starts fell by 0.7% to a seasonally adjusted annual rate of 1.52mn units in Oct'21 (est.: 1.58mn units) against 1.53mn units in Sep'21. This has been on account of material bottlenecks, labour shortages and Hurricane Ida, which caused some disruption in late Aug'21. Notably, housing starts scaled to its near 14.5 year high in Mar'21 at 1.73mn units.

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 4bps (1.59%) as housing starts data remained muted. Japan (0.08%), Germany (-0.25%) and India's (6.36%) 10Y yield closed stable, in absence of fresh cues. Crude prices fell by 2.6% (US\$ 80/bbl) due to rising Covid-19 cases in Europe and downside risks to demand recovery. India's 10Y yield is trading lower today, at 6.35%.
- Currency:** Except EUR (flat) and AUD (lower), other global currencies closed higher. DXY fell by 0.1% as US housing data disappointed. GBP rose by 0.4% amidst building expectations of a rate hike by BoE in Dec'21. INR appreciated by 0.1% as oil prices fell by 2.6%. It is trading further higher today while other Asian currencies are trading mixed.
- Equity:** Barring Dax (flat) and Shanghai Comp (higher), other global indices ended lower led by subdued housing starts print from US and concerns over higher inflation print in UK. Amongst other indices, Dow (0.6%) dropped the most followed by FTSE (0.5%). Sensex (0.5%) too ended lower led by real estate and oil and gas stocks. It is trading lower 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	1.59	(4)	4	2	33	72
UK	0.96	(3)	4	(14)	40	63
Japan	0.08	0	2	0	6	6
Germany	(0.25)	0	0	(8)	24	31
India	6.36	0	3	3	13	48
China	2.92	1	2	(6)	7	(41)
<b>2Y yields (Δ bps)</b>						
US	0.50	(2)	(2)	10	28	32
UK	0.57	(4)	(1)	(2)	43	59
Japan	(0.12)	(1)	0	(1)	2	2
Germany	(0.73)	0	(3)	(5)	2	0
India	4.53	(3)	2	22	37	47
China	2.31	1	8	2	41	(59)
<b>Currencies (Δ %)</b>						
EUR	1.1319	0	(1.4)	(2.4)	(3.3)	(4.5)
GBP	1.3487	0.4	0.6	(1.9)	(2.0)	1.6
JPY	114.08	0.6	(0.1)	0.1	(3.9)	(9.9)
AUD	0.7267	(0.5)	(0.8)	(2.1)	0.5	(0.5)
INR	74.27	0.1	0.2	1.3	0	(0.1)
CNY	6.3780	0.2	0.2	0.9	1.6	2.8
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,931	(0.6)	(0.4)	1.8	2.8	22.1
FTSE	7,291	(0.5)	(0.7)	0.8	1.7	14.2
DAX	16,251	0	1.1	4.3	1.8	23.1
NIKKEI	29,688	(0.4)	2.0	2.1	7.6	15.4
Shanghai Comp	3,537	0.4	1.3	(1.0)	1.5	5.7
SENSEX	60,008	(0.5)	(0.6)	(2.1)	7.9	35.8
Brent (US\$/bbl)	80.28	(2.6)	(2.9)	(5.4)	17.7	81.1
Gold (US\$/oz)	1,867	0.9	1.0	5.6	4.5	(0.3)
CRB Index	568.6	0	(0.3)	0.3	0.5	34.4
Rogers Agri Index	1,179.5	1.2	2.1	5.5	7.7	42.6
LIBOR (3M)*	0.16	0	1	4	3	(6)
INR 5Y Swap*	5.92	1	8	12	9	84
<b>India FII data (US\$ mn)</b>						
	<b>16 Nov</b>	<b>15 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(34.2)	88.2	54.0	321.8	251.5	2,278.7
FII-Equity	1,912.6	124.0	2,036.6	2,468.4	8,727.0	1,400.6

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

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