

## MACRO DAILY

20 December 2021

### Macro developments

- According to news reports, the EAC to PM has asked for a unified labour law in order to address the existing inconsistencies across the labour codes. It has suggested to follow single labour law like the Bangladesh Labour Act, 2006, with alternative measures to boost the employment and economic growth. The focus should be on a) skill building, b) public infra investment, c) reducing barrier to trade and investment and d) simplifying law and procedures.
- UK's consumer confidence was dented by soaring inflation expectations and renewed concerns over Omicron cases. The Gfk print fell down to (-) 15 in Dec'21 from (-) 14 in Nov'21. In a separate print, Germany's IFO business climate index also dropped to 94.7 from 96.6 in Nov'21. Both present situation and expectation index fell considerably. Business climate in the service sector nosedived.
- Eurozone final CPI print for Nov'21 was unchanged from preliminary estimate at 4.9% but was up from 4.1% in Oct'21. Upward movement was broad-based with prices of energy rising the most (27.5% in Nov'21 versus 23.7% in Oct'21). Non-energy industrial goods prices also rose by 2.4% versus 2%, and services inflation up at 2.7% versus 2.1%. Country-wise, Germany, Belgium and Greece saw sharpest rise in inflation in Nov'21.

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (1.4%) as concerns emerges over rising Omicron cases. Germany's 10Y yield fell by 3bps (-0.38%) as ECB said it would remain supportive. UK, Japan and China's 10Y yield closed stable. Crude prices rose by 2% (US\$ 74/bbl) amidst concerns of muted demand. India's 10Y yield rose by 4bps (6.41%) as RBI has set less than expected cut off price in the current auction. It is trading flat today.
- Currency:** Except INR and JPY (flat), other global currencies closed lower. DXY rose by 0.5% on safe-haven demand amidst renewed fears of Omicron. EUR fell by 0.8% as Germany's business climate index fell. AUD also declined by 0.8%. INR is trading lower today, in line with other Asian currencies.
- Equity:** Barring FTSE, other global indices ended lower. Amongst other indices, Nikkei (1.8%) dropped the most. Sensex (1.5%) too ended lower as fears of new Covid-19 variant and hawkish central bank policy decisions, pulled a leash on raging bulls. It was further dragged by deep losses in real estate and banking stocks. It is trading further lower today, in line with other Asian stocks.

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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	1.40	(1)	(8)	(23)	4	46
UK	0.76	0	2	(23)	(9)	51
Japan	0.05	0	(1)	(3)	(1)	4
Germany	(0.38)	(3)	(3)	(14)	(10)	19
India	6.41	4	4	5	24	50
China	2.90	0	2	(2)	2	(41)
<b>2Y yields (Δ bps)</b>						
US	0.64	2	(2)	12	42	52
UK	0.51	0	8	(10)	22	59
Japan	(0.11)	0	(1)	0	2	2
Germany	(0.72)	(3)	(3)	1	(3)	1
India	4.52	2	(7)	(1)	44	64
China	2.47	(1)	(3)	(4)	(4)	(45)
<b>Currencies (Δ %)</b>						
EUR	1.1240	(0.8)	(0.6)	(0.7)	(4.1)	(8.3)
GBP	1.3245	(0.6)	(0.2)	(1.4)	(3.6)	(2.1)
JPY	113.63	0	(0.2)	1.0	(3.4)	(10.0)
AUD	0.7125	(0.8)	(0.7)	(2.4)	(1.9)	(6.5)
INR	76.09	0	(0.4)	(2.3)	(3.5)	(3.4)
CNY	6.3754	(0.1)	(0.1)	0.3	1.4	2.5
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,365	(1.5)	(1.7)	(2.1)	2.3	17.2
FTSE	7,270	0.1	(0.3)	(0.8)	4.4	11.3
DAX	15,532	(0.7)	(0.6)	(4.4)	0.3	13.9
NIKKEI	28,546	(1.8)	0.4	(4.2)	(6.4)	6.7
Shanghai Comp	3,632	(1.2)	(0.9)	3.1	0.5	7.0
SENSEX	57,012	(1.5)	(3.0)	(5.5)	(3.4)	21.4
Brent (US\$/bbl)	73.52	(2.0)	(2.2)	(10.8)	(2.4)	40.7
Gold (US\$/oz)	1,798	(0.1)	0.9	(2.8)	2.5	(4.4)
CRB Index	569.2	0.5	(0.3)	0.1	2.5	29.9
Rogers Agri Index	1,168.3	(0.2)	0.4	0.3	9.1	37.5
LIBOR (3M)*	0.21	0	2	5	9	(2)
INR 5Y Swap*	5.68	3	1	(22)	(8)	35
<b>India FII data (US\$ mn)</b>						
	<b>16 Dec</b>	<b>15 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(80.2)	(100.0)	(264.2)	(595.6)	(512.3)	1,515.0
FII-Equity	(63.4)	(348.6)	(669.6)	(1,093.0)	4,409.5	(2,916.9)

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

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