

MACRO DAILY

22 December 2021

Macro developments

- India's Union Minister for Road Transport and Highway informed that government expects toll revenue of NHAI to jump sharply in the coming years. It is estimated that revenue from NHAI will rise to Rs 1.4tn in the next three years, compared with Rs 400bn at present, on the back of rising traffic density. Addressing the issue of faster settlement of claims through reconciliation, the minister added that NHAI's CCIE will clear cases within 3 months, thus attracting greater private investment.
- Germany's GfK consumer confidence dropped sharply from (-) 1.8 points in Dec'21 to (-) 6.8 points in Jan'22. This was owing to recent spike in Covid-19 cases, leading to re-imposition of restrictions, and higher prices. Further, the recent ruling of 2G, which requires consumers to either be fully vaccinated or completely recovered, also adversely impacted retail business during the holiday period. Separately, Euro Zone consumer confidence also deteriorated further and dropped for 3rd month in a row to (-) 8.3 in Dec'21 from (-) 6.8 in Nov'21.
- US current account deficit widened to a 15-year high of US\$ 214.8bn in Q3CY21 (est.: US\$ 205bn) from US\$ 198.3bn in Q2CY21. CAD/GDP was higher at 3.7% versus 3.5% in Q2. Widening deficit was on account of reduced surplus under services segment and expansion of deficit under secondary income and goods segment. Merchandise Exports rose at a much softer pace of 23.8% in Q3 versus 50.7% in Q2. Imports also moderated to 19% from 37.7% in Q2.

Markets

- Bonds:** Except China (stable), global yields closed higher amidst positive news of drug developments to treat Covid-19. UK's 10Y yield rose the most by 10bps (0.87%) followed by Germany (+6bps to -0.31%). Crude prices also rose by 3.4% (US\$ 74/bbl). India's 10Y yield rose by 3bps (6.47%) over lingering sentiments concerning RBI's surprise announcement of 3-day VRRR. It is trading flat today.
- Currency:** Barring JPY (0.4% decline), other currencies closed higher. DXY fell by 0.1% as Omicron fears receded. AUD (0.6%) gained the most, followed by GBP and INR (0.4% each). INR gained despite 3.4% rise in international oil prices. It is trading further higher today, in with other Asian currencies.
- Equity:** Global indices rebounded and ended higher as investors reassessed the impact of Omicron. Amongst other indices, Nikkei (2.1%) gained the most followed by Dow (1.6%). Sensex (0.9%) too ended in green driven by positive global cues. Metal and consumer durable stocks advanced the most. It is trading further higher 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 |
|---|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.46 | 4 | 2 | (8) | 14 | 55 |
| UK | 0.87 | 10 | 15 | (1) | 7 | 69 |
| Japan | 0.05 | 1 | 0 | (3) | 1 | 4 |
| Germany | (0.31) | 6 | 6 | 4 | 1 | 29 |
| India | 6.47 | 3 | 11 | 13 | 35 | 56 |
| China | 2.85 | 0 | (3) | (7) | (2) | (38) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.67 | 3 | 1 | 16 | 45 | 55 |
| UK | 0.62 | 8 | 17 | 13 | 34 | 75 |
| Japan | (0.10) | (1) | 0 | 2 | 3 | 3 |
| Germany | (0.70) | 3 | (2) | 8 | 1 | 4 |
| India | 4.52 | 2 | (7) | 0 | 42 | 63 |
| China | 2.50 | 1 | 2 | (2) | (1) | (36) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1285 | 0.1 | 0.2 | 0 | (3.8) | (7.2) |
| GBP | 1.3262 | 0.4 | 0.2 | (1.4) | (2.9) | (0.7) |
| JPY | 114.10 | (0.4) | (0.4) | (0.1) | (4.5) | (10.1) |
| AUD | 0.7155 | 0.6 | 0.7 | (1.1) | (1.1) | (4.9) |
| INR | 75.60 | 0.4 | 0.4 | (1.8) | (2.7) | (2.4) |
| CNY | 6.3721 | 0.1 | (0.1) | 0.2 | 1.5 | 2.6 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 35,493 | 1.6 | (0.1) | (0.3) | 4.6 | 18.2 |
| FTSE | 7,297 | 1.4 | 1.1 | 1.0 | 4.5 | 13.1 |
| DAX | 15,447 | 1.4 | 0 | (4.4) | 0.6 | 15.1 |
| NIKKEI | 28,518 | 2.1 | 0.3 | (4.1) | (4.4) | 7.9 |
| Shanghai Comp | 3,625 | 0.9 | (1.0) | 1.8 | 0.3 | 8.0 |
| SENSEX | 56,319 | 0.9 | (3.1) | (5.6) | (4.6) | 22.4 |
| Brent (US\$/bbl) | 73.98 | 3.4 | 0.4 | (6.2) | (0.5) | 47.7 |
| Gold (US\$/oz) | 1,789 | (0.1) | 1.0 | (3.1) | 0.8 | (3.8) |
| CRB Index | 568.7 | 0.6 | 0.3 | (0.1) | 4.0 | 29.6 |
| Rogers Agri Index | 1,172.8 | 1.2 | 0.7 | (0.5) | 11.1 | 37.7 |
| LIBOR (3M)* | 0.21 | 0 | 0 | 5 | 8 | (3) |
| INR 5Y Swap* | 5.69 | 1 | 4 | (23) | (5) | 37 |
| India FII data (US\$ mn) | | | | | | |
| | 20 Dec | 17 Dec | WTD | MTD | CYTD | FYTD |
| FII-Debt | (323.7) | 8.6 | (323.7) | (910.7) | (827.4) | 1,199.9 |
| FII-Equity | (403.2) | (110.3) | (403.2) | (1,606.5) | 3,896.0 | (3,430.3) |

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

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