

MACRO DAILY

24 December 2021

Macro developments

- As per Federation of Indian export organisations (FIEO), exports are expected to rise by 38% by the end of FY22 at US\$ 400bn compared with US\$ 290.6bn in FY21. FIEO also noted that emergence of new Covid-19 variant and supply side challenges will remain a decisive factor in the coming year. Thereby, it expects exports to grow at a much slower pace of 15-17.5% in FY23. Notably, increase in global trade in CY21 led by surge in commodity prices might not provide 'tailwind to our exports', going forward.
- Durable goods orders in the US rose by 2.5% in Nov'21 (est.: 2%) from 0.1% in Oct'21. This was on account of uptick in orders for transportation equipment (6.5% versus -0.3% in Oct'21). However, core orders (non-defence capital goods excl. aircraft) edged down by 0.1% from 0.9% increase in Oct'21. Separately, US jobless claims remained unchanged at 205K for the week ending 18 Dec 2021. University of Michigan consumer sentiment index rose to 70.6 in Dec'21 from 67.4 in Nov'21, supported by upbeat outlook of the economy. US new home sales rose by 12.4% to 744K (est.: 770K) and against 662K in Oct'21.
- Japan's CPI (YoY) rose sharply by 0.6% in Nov'21 from 0.1% in Oct'21, owing to steep jump in energy prices (9.2% versus 6.4%). Food prices also inched up to 1.4% from 0.5%. Core CPI (ex-fresh food) rose by 0.5% versus 0.1%. Even excluding energy, CPI fell less sharply by 0.6% in Nov'21 compared with 0.7% in Oct'21. Amongst other items, prices of clothing and footwear (0.1% versus -0.2%), education (1.2% versus 1.1%) and medical (-0.2% versus -0.3%) rose the most.

Markets

- Bonds:** Except India (stable) and China (lower), global yields closed higher. US, UK and Germany's 10Y yield rose by 4bps each. Investors remained optimistic tracking major macro prints of the US. Crude prices rose by 2.1% (US\$ 77/bbl) as concerns over severe impact of Omicron faded. India's 10Y yield is trading higher at 6.47% today.
- Currency:** Global currencies closed mixed with EUR and CNY ending flat and JPY dropping by 0.3%. DXY fell by 0.1%, as risk-sentiment continued to improve over Covid-19 vaccine related news. GBP, AUD and INR, all gained by 0.4%. INR is trading further higher today, in line with other Asian currencies.
- Equity:** Global indices ended higher as the fear of Omicron variant receded with lower risk of hospitalizations in comparison to Delta variant. Amongst other indices, Dax (1%) surged the most followed by Nikkei (0.8%). Sensex (0.7%) too ended in green led by gains in real estate and power stocks. However, 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
10Y yields (Δ bps)						
US	1.49	4	8	(13)	6	57
UK	0.92	4	17	(1)	2	67
Japan	0.07	1	2	(1)	3	5
Germany	(0.25)	4	10	5	1	30
India	6.46	0	9	11	32	57
China	2.82	(1)	(7)	(9)	(4)	(41)
2Y yields (Δ bps)						
US	0.69	3	8	10	43	57
UK	0.66	2	15	13	27	78
Japan	(0.09)	0	2	4	3	3
Germany	(0.68)	1	1	6	1	3
India	4.52	2	(7)	(2)	40	63
China	2.46	(2)	(1)	(4)	(1)	(38)
Currencies (Δ %)						
EUR	1.1327	0	0	0.8	(3.5)	(7.1)
GBP	1.3408	0.4	0.6	0.1	(2.3)	(1.1)
JPY	114.39	(0.3)	(0.6)	0.4	(3.7)	(10.4)
AUD	0.7244	0.4	0.8	0.3	(0.7)	(4.6)
INR	75.25	0.4	1.1	(1.1)	(2.2)	(2.3)
CNY	6.3702	0	0	0.2	1.4	2.4
Equity & Other indices (Δ %)						
Dow	35,951	0.6	0.1	0.9	3.4	19.0
FTSE	7,373	0.4	1.6	1.6	4.2	13.4
DAX	15,756	1.0	0.8	(2.2)	0.7	16.0
NIKKEI	28,798	0.8	(0.9)	(3.3)	(2.8)	8.0
Shanghai Comp	3,643	0.6	(0.9)	1.7	0.0	8.3
SENSEX	57,315	0.7	(1.0)	(2.0)	(4.3)	22.0
Brent (US\$/bbl)	76.85	2.1	2.4	(3.6)	(0.5)	49.8
Gold (US\$/oz)	1,809	0.3	0.5	0.2	3.8	(4.0)
CRB Index	574.0	0.5	0.8	0.7	4.2	30.3
Rogers Agri Index	1,197.2	0.5	2.3	0.7	11.0	38.7
LIBOR (3M)*	0.21	0	0	4	8	(3)
INR 5Y Swap*	5.74	0	9	(21)	2	48
India FII data (US\$ mn)						
	22 Dec	21 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	41.9	13.9	(267.9)	(854.9)	(771.5)	1,255.7
FII-Equity	(61.3)	(40.1)	(504.6)	(1,707.9)	3,794.6	(3,531.7)

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

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