

## MACRO DAILY

25 November 2021

### Macro developments

- In India, Cabinet has approved the proposal to extend the PMGKAY-phase V for another 4 months (Dec-Mar'22). Under this scheme, 5kg foodgrains/person/month is distributed. This scheme is expected the cost the exchequer Rs 533bn. Separately, news reports indicate that government is expected to seek additional funds as supplementary grant for food subsidy (Rs 1.2tn), fertiliser subsidy (Rs 400bn) and export incentive scheme RoDTEP (Rs 750bn).
- US Fed in its minutes highlighted that hike in policy rate might be 'sooner than currently anticipated' due to overheating of inflation. Further, some members opined that tapering may be aggressive, if underlying economic conditions warrant. In a separate print, second estimate of Q3GDP showed that the economy rose by 2.1% (2% estimated earlier). The slight upward revision was on account of PCE, private inventory investment, state and local government spending. However, the print is far lower compared to 6.7% growth seen in Q2. Jobless claims print fell at its 52-year low of 199k for the week ending 20 Nov 2021.
- Germany IFO business climate index deteriorated to 96.5 in Nov'21 (est.: 96.7) from 97.7 in Oct'21. This is the fifth consecutive decline, after it peaked at 101.8 in Jun'21, aggravating concerns of supply side bottlenecks. The decline was broad based across sectors-manufacturing, construction, trade and services. Even the business expectations component fell to 94.2 from 95.4 in Oct'21.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 3bps (1.63%) despite hawkish policy approach by Fed. Japan's 10Y yield inched up by 1bps (0.08%) supported by better manufacturing PMI print. Crude prices fell by 0.1% (US\$ 82/bbl) amidst release of strategic reserves by major nations and also awaiting OPEC+ response. India's 10Y yield closed flat at 6.37% and is trading at the same level today.
- Currency:** Except INR and CNY (flat), global currencies closed lower. DXY rose by 0.4% as Fed minutes sounded hawkish and jobless claims data also reflected buoyant labour market conditions. GBP fell by 0.4% as IFO index remained muted. INR is trading lower today, in line with other Asian currencies.
- Equity:** Global indices ended mixed tracking hawkish comments and better data prints from the US and supply bottleneck being visible on Germany's macro prints. Dow closed flat, FTSE rose by 0.3%. Sensex fell by 0.6%, led by auto and technology stocks. It is trading higher today, while other Asian stocks are trading mixed.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.63	(3)	5	0	30	75
UK	1.00	0	3	(15)	40	68
Japan	0.08	1	0	(1)	6	6
Germany	(0.23)	(1)	2	(12)	19	34
India	6.37	0	1	0	13	48
China	2.91	(1)	(2)	(9)	5	(39)
<b>2Y yields (Δ bps)</b>						
US	0.64	3	14	19	40	48
UK	0.59	(1)	2	(7)	44	61
Japan	(0.12)	1	0	(2)	(1)	2
Germany	(0.74)	(1)	(2)	(11)	(1)	1
India	4.57	2	4	18	44	68
China	2.50	0	(1)	(3)	4	(57)
<b>Currencies (Δ %)</b>						
EUR	1.1199	(0.4)	(1.1)	(3.8)	(4.9)	(6.0)
GBP	1.3328	(0.4)	(1.2)	(3.1)	(3.2)	(0.4)
JPY	115.43	(0.3)	(1.2)	(1.7)	(4.9)	(10.5)
AUD	0.7196	(0.4)	(1.0)	(3.6)	(1.1)	(2.3)
INR	74.39	0	(0.2)	0.7	(0.2)	(0.6)
CNY	6.3924	0	(0.2)	(0.1)	1.3	2.8
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,804	0	(0.4)	0.4	1.1	19.9
FTSE	7,286	0.3	(0.1)	1.1	1.9	14.0
DAX	15,878	(0.4)	(2.3)	2.2	0.1	19.5
NIKKEI	29,303	(1.6)	(1.3)	1.7	5.7	11.4
Shanghai Comp	3,593	0.1	1.6	0.3	1.5	6.9
SENSEX	58,341	(0.6)	(2.8)	(4.1)	4.3	33.1
Brent (US\$/bbl)	82.25	(0.1)	2.5	(3.8)	13.8	69.2
Gold (US\$/oz)	1,789	0	(4.2)	(0.2)	(0.1)	(1.0)
CRB Index	572.3	0	0.7	0.7	2.1	34.0
Rogers Agri Index	1,192.2	(0.2)	1.1	6.1	9.7	44.4
LIBOR (3M)*	0.18	1	2	5	5	(6)
INR 5Y Swap*	5.92	(1)	0	(1)	16	72
<b>India FII data (US\$ mn)</b>						
	<b>23 Nov</b>	<b>22 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(144.6)	(14.9)	(159.5)	321.7	251.4	2,278.6
FII-Equity	(625.4)	(283.6)	(909.1)	2,028.2	8,286.8	960.4

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

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