

MACRO DAILY

27 December 2021

Macro developments

- As per CMIE data, unemployment rate in India inched up to 7.73% (30-day moving average) as on 24 Dec 2021 compared to 7.56% in the previous week. Both rural and urban unemployment inched up to 7.09% and 9.12% respectively against 6.86% and 9.09% seen in the previous week. With increasing Covid-19 cases, there is likely to be strain on the print in the near term.
- China's industrial profits rose by 9% in Nov'21, much slower than 24.6% rise recorded in Oct'21. Most of the cooling off can be explained by dip in commodity prices (raw materials), weak consumer demand and faltering demand of property sector (steel, cement, glass). On CYTD basis too, profit growth eased to 38% between Jan-Nov'21 from 42.2% between Jan-Oct'21. Government's efforts to curb rising PPI also led to decline in profits in mining and raw material sectors.
- Japan's retail sales rose much faster than anticipated by 1.9% in Nov'21 (second-month in a row) compared with 0.9% in Oct'21. This was led by uptick in fuel prices which advanced by 29.2% in Nov'21. Moreover, this consumption led recovery is laden with uncertainty as risk of spread of Omicron might impede the same. However, there was a drop in car sales (14.1%) and electronic sales (10.6%) due to supply bottlenecks and lower demand respectively.

Markets

- Bonds:** Global yields closed broadly stable due to thin trading in the holiday week. Investors also remained cautious tracking increasing Covid-19 cases globally (5.2mn versus 4.6mn rise seen in previous week). Crude prices fell by 0.9% (US\$ 76/bbl) amidst concerns of muted demand and reports of travel restrictions. India's 10Y yield is trading a tad lower at 6.45% today.
- Currency:** Global currencies closed mixed with JPY and CNY ending flat and only INR rising by 0.3%. AUD, GBP and EUR fell as risk-appetite came under pressure once again in view of steadily rising global Covid-19 cases. Following global cues, INR is trading lower today, in line with other Asian currencies.
- Equity:** Global indices ended mixed. Asian markets ended in red while markets in Europe were closed for holiday. Shanghai Comp and Sensex fell the most, followed by Nikkei as rising Covid-19 cases in US and UK dampened the spirits. Sensex fell by 0.3%, dragged by power and real estate stocks. However, it is trading higher 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	(14)	4	57
UK	0.93	0	17	(4)	0	67
Japan	0.07	0	2	(2)	1	5
Germany	(0.25)	0	13	0	(2)	30
India	6.46	0	5	10	28	58
China	2.83	0	(7)	(6)	(4)	(37)
2Y yields (Δ bps)						
US	0.69	0	5	5	42	57
UK	0.67	1	16	9	28	79
Japan	(0.06)	3	4	6	4	7
Germany	(0.68)	0	4	6	1	3
India	4.52	2	(1)	(6)	36	63
China	2.49	2	2	1	1	(33)
Currencies (Δ %)						
EUR	1.1319	(0.1)	0.7	1.0	(3.4)	(7.2)
GBP	1.3386	(0.2)	1.1	0.5	(2.1)	(1.3)
JPY	114.38	0	(0.7)	0.8	(3.3)	(10.6)
AUD	0.7221	(0.3)	1.3	0.4	(0.6)	(5.0)
INR	75.02	0.3	1.4	(0.7)	(1.8)	(2.0)
CNY	6.3677	0	0.1	0.3	1.5	2.7
Equity & Other indices (Δ %)						
Dow	35,951	0.6	1.7	0.4	3.3	19.0
FTSE	7,372	0	1.4	0.8	4.5	13.4
DAX	15,756	1.0	1.4	(1.0)	1.4	16.0
NIKKEI	28,783	(0.1)	0.8	(2.4)	(4.8)	7.9
Shanghai Comp	3,618	(0.7)	(0.4)	0.9	0.1	7.6
SENSEX	57,124	(0.3)	0.2	(2.8)	(4.9)	21.6
Brent (US\$/bbl)	76.14	(0.9)	3.6	(7.4)	(2.5)	48.4
Gold (US\$/oz)	1,817	0.5	1.1	1.6	3.8	(3.5)
CRB Index	574.0	0.5	1.1	0.3	3.8	30.3
Rogers Agri Index	1,197.2	0.5	2.5	0.2	10.5	38.7
LIBOR (3M)*	0.22	0	1	4	9	(2)
INR 5Y Swap*	5.73	(1)	5	(21)	(3)	47
India FII data (US\$ mn)						
	23 Dec	22 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(166.4)	41.9	(434.3)	(1,021.3)	(938.0)	1,089.3
FII-Equity	41.8	(61.3)	(462.8)	(1,666.1)	3,836.4	(3,489.9)

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | US markets were closed on 24.12.2021

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