

MACRO DAILY

29 November 2021

Macro developments

- India's foreign exchange reserves rose by US\$ 289mn to US\$ 640.4bn in the week ended 19 Nov 2021. Last week, forex reserves declined by US\$ 762mn. In FYTD22 so far, forex reserves have risen by US\$ 61.1bn, lower compared with an accretion of US\$ 99.7bn in the same period last year. In CYTD21, forex reserves have risen by US\$ 59.6bn versus US\$ 117.8bn in the same period last year.
- China's industrial profit growth jumped sharply in Oct'21 to 24.6% from 16.3% in Sep'21, supported by higher international commodity prices. Profits of mining industry and raw material manufacturing industry rose the most. Coal industry saw 438% YoY jump, followed by non-ferrous metals (168%) and chemicals (63.9%). Even consumer good manufacturing companies returned to profit (3.6%). However, on CYTD basis, profits eased a tad to 42.2% from 44.7% in Jan-Sep'21.
- Japan's retail sales rose (YoY) by 0.9% in Oct'21 (est.: 1.1%) following a 0.5% drop in Sep'21, led by higher fuel prices. Fuel sales rose by 25.9% in Oct'21 versus 16.6% in Sep'21. Sales of general merchandise (0.5% versus -3.1%) and food and beverage (3.7% versus 2.3%) also improved in Oct'21. However, sales excluding fuel fell by 1.2%. Auto sales fell the most (19.5% drop versus 12.6% decline in Sep'21), followed by sales of fabric apparel (-2% versus 2.3%) and non-store e-retailers (-2% versus -1.5%).

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Markets

- Bonds:** Global yields closed lower as new Covid-19 variant was identified in Netherlands, Denmark and Australia. US 10Y yield fell the most by 16bps (1.47%), followed by UK which was down by 14bps to -0.83%. Germany's 10Y yield fell by 8bps (-0.34%) despite assurance by ECB president that Europe is better equipped to handle the crisis. Crude prices fell by 11.6% (US\$ 73/bbl). India's 10Y yield fell by 4bps (6.33%). It is trading at 6.34% today.
- Currency:** Global currencies closed mixed. DXY slipped by 0.7% as discovery of new Covid-19 variant casted doubts on Fed rate hikes. JPY strengthened by 1.4% on safe-haven demand. EUR and GBP rose despite rising cases. INR depreciated by 0.7% led by global cues even as oil prices crashed. It is trading further lower today, in line with other Asian currencies.
- Equity:** Global indices took a beating led by renewed concerns of new Covid-19 variant. Amongst other indices, Dax (4.2%) declined the most followed by FTSE (3.6%). Sensex (2.9%) too ended in red led by subdued global cues and was dragged lower by real estate and metal stocks. However, it is trading higher today while other Asian stocks are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.47	(16)	(7)	(11)	17	64
UK	0.83	(14)	(5)	(18)	25	54
Japan	0.07	(1)	(1)	(2)	5	4
Germany	(0.34)	(8)	1	(20)	9	25
India	6.33	(4)	(1)	(4)	8	42
China	2.86	(3)	(7)	(11)	(2)	(46)
2Y yields (Δ bps)						
US	0.50	(14)	(1)	1	28	35
UK	0.47	(10)	(2)	(18)	35	52
Japan	(0.13)	(1)	(1)	(3)	(2)	1
Germany	(0.76)	(2)	2	(14)	(2)	0
India	4.54	(4)	2	12	41	62
China	2.47	(1)	(4)	(4)	(1)	(58)
Currencies (Δ %)						
EUR	1.1302	0.8	0.1	(3.2)	(4.2)	(5.5)
GBP	1.3340	0.1	(0.8)	(3.3)	(3.1)	0.2
JPY	113.70	1.4	0.3	(0.1)	(3.5)	(9.2)
AUD	0.7138	(0.7)	(1.3)	(5.4)	(2.4)	(3.4)
INR	74.87	(0.5)	(0.9)	0.1	(1.6)	(1.1)
CNY	6.3933	(0.1)	(0.1)	0	1.2	2.8
Equity & Other indices (Δ %)						
Dow	34,899	(2.5)	(2.0)	(2.3)	(1.6)	16.7
FTSE	7,044	(3.6)	(2.5)	(2.8)	(1.5)	10.6
DAX	15,257	(4.2)	(5.6)	(2.8)	(3.8)	14.4
NIKKEI	28,752	(2.5)	(3.3)	(0.2)	4.0	7.9
Shanghai Comp	3,564	(0.6)	0.1	1.3	1.2	4.6
SENSEX	57,107	(2.9)	(4.2)	(4.8)	1.8	29.3
Brent (US\$/bbl)	72.72	(11.6)	(7.8)	(13.8)	0	50.9
Gold (US\$/oz)	1,803	0.8	(2.3)	0.2	(0.8)	0.8
CRB Index	568.8	(0.6)	0	(0.2)	1.4	32.7
Rogers Agri Index	1,178.2	(1.2)	0	3.0	8.1	40.9
LIBOR (3M)*	0.18	0	1	4	6	(5)
INR 5Y Swap*	5.87	(7)	(5)	(4)	14	69
India FII data (US\$ mn)						
	25 Nov	24 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(36.9)	(181.4)	(377.9)	103.4	33.0	2,060.3
FII-Equity	(23.1)	(1,082.4)	(2,014.6)	922.7	7,181.2	(145.1)

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

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