

## MACRO DAILY

30 December 2021

### Macro developments

- RBI in the FSR (Financial Stability Report) noted that CRAR and PCR (provision coverage ratio) of SCBs rose to 16.6% (16% in Mar'21) and 68.1% (67.6% in Mar'21) respectively in Sep'21. Under the stress test scenario, it stated that the GNPA ratio of SCBs may jump from 6.9% in Sep'21 to 8.1% (baseline) and 9.5% in Sep'22 (severe stress scenario). Furthermore, close monitoring is required as emerging signs of stress can be noted in MSME and even in micro finance segment.
- US trade deficit expanded to a record high of US\$ 97.8bn in Nov'21 (est. US\$ 89bn) from US\$ 83.2bn in Oct'21. While goods exports fell by 2.1% (+4.3% in Oct'21), imports rose by 4.7% (+3.4% in Oct'21), on a MoM basis. Barring food products, exports of all other items declined. On the other hand, imports of industrial supplies, consumer goods and auto surged the most. Separately, US pending home sales index fell unexpectedly by 2.2% in Nov'21 versus estimate of 0.5% increase. This was due to higher prices and limited stock availability.
- S. Korea's industrial production rose by 3.2% (highest since Jun'20) on MoM basis in Nov'21, following 1.9% (18-month low) decline in Oct'21. This was on the back of easing supply chain bottlenecks. Rebound was led by 11.3% jump in automobile production and 4.5% increase in semiconductor manufacturing. Separately, facility investment rose by 10.9% in Nov'21 versus 5% decline in Oct'21. Retail sales on the other hand fell by 1.9% following 0.1% rise in Oct'21.

### Markets

- **Bonds:** Global yields closed mixed. UK and US 10Y yield rose by 9bps and 7bps respectively, as government refrained from imposing Covid-19 related restrictions. Japan's 10Y yield closed stable. China's 10Y yield fell by 1bps on expectation of stimulus. Crude prices rose by 0.4% (US\$ 79/bbl) on account of decline in US inventories. India's 10Y yield fell by 2bps (6.46%) on expectation of OMO announcement by RBI. It is trading higher at 6.48% today.
- **Currency:** Global currencies closed mixed. DXY fell by 0.3% as US trade deficit rose to a record-high in Nov'21. GBP rose the most by 0.4%. On the other hand, JPY fell by 0.1%. INR too depreciated by 0.1% led by higher oil prices and FII outflows. However, it is trading higher today, while other Asian currencies are trading lower.
- **Equity:** Barring Dow and FTSE (higher), other global indices ended lower as investors monitored surge in global Omicron cases. Shanghai Comp (0.9%), DAX (0.7%) and Nikkei (0.6%) fell the most. Sensex (0.2%) too ended in red dragged by metal and power stocks. However, it is trading 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
<b>10Y yields (Δ bps)</b>						
US	1.55	7	10	8	3	63
UK	1.01	9	13	19	2	80
Japan	0.06	0	0	(1)	(2)	4
Germany	(0.18)	5	11	15	3	39
India	6.46	(2)	0	13	26	59
China	2.79	(1)	(4)	(6)	(7)	(34)
<b>2Y yields (Δ bps)</b>						
US	0.75	0	9	25	46	63
UK	0.70	4	6	23	30	86
Japan	(0.07)	2	2	6	5	4
Germany	(0.63)	2	7	13	6	7
India**	4.41	(5)	0	13	38	103
China	2.43	(2)	(6)	(4)	(7)	(29)
<b>Currencies (Δ %)</b>						
EUR	1.1349	0.3	0.2	0.3	(2.1)	(7.7)
GBP	1.3490	0.4	1.0	1.1	0.5	(1.0)
JPY	114.95	(0.1)	(0.7)	(1.4)	(2.7)	(11.4)
AUD	0.7250	0.3	0.5	1.8	1.0	(5.7)
INR	74.74	(0.1)	1.1	0.2	(0.8)	(2.0)
CNY	6.3678	0	0	0.4	1.6	2.4
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	36,489	0.2	2.1	4.6	6.1	20.0
FTSE	7,421	0.7	1.1	5.3	4.4	13.2
DAX	15,852	(0.7)	1.7	3.9	3.2	15.6
NIKKEI	28,907	(0.6)	1.2	0.5	(2.2)	5.3
Shanghai Comp	3,597	(0.9)	(0.7)	0.9	1.7	5.3
SENSEX	57,806	(0.2)	1.5	1.2	(2.7)	21.1
Brent (US\$/bbl)	79.23	0.4	5.2	9.0	0.8	54.3
Gold (US\$/oz)	1,805	(0.1)	0.1	0.1	4.5	(4.7)
CRB Index	578.3	0.1	1.2	1.7	3.9	30.4
Rogers Agri Index	1,207.9	0.8	1.4	2.5	10.5	37.2
LIBOR (3M)*	0.22	0	1	4	9	(2)
INR 5Y Swap*	5.78	1	4	(9)	(1)	46
<b>India FII data (US\$ mn)</b>						
	<b>28 Dec</b>	<b>27 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(108.8)	(55.0)	(163.8)	(1,676.9)	(1,593.6)	433.7
FII-Equity	217.7	(95.7)	122.1	(1,575.0)	3,927.5	(3,398.8)

Source: Bloomberg, Bank of Baroda Research | \*Indicates change in bps | \*\*1-yr yield

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