

MACRO DAILY

07 December 2021

Macro developments

- As per Periodic Labour Force Survey (PLFS) data, unemployment rate in urban India was even higher than its pre-pandemic period, according to current weekly status (CWS) approach. The print was at 9.3% for Q4FY21 against 9.1% seen in Q4FY20. However, high frequency data of CMIE showed that situation has improved since then with employment schemes and resumption in economic activity. Currently the urban unemployment rate is at 8.66% (6 Dec-2021, 30 day moving average).
- Germany's factory orders in manufacturing declined sharply by 6.9% in Oct'21 (est. 0.3% decline), after increasing by 1.8% in Sep'21, on a MoM basis. This was led by a steep decline of 13.1% in foreign orders, even as domestic orders rose by 3.4%. Further, new orders for capital goods declined by 10.7% followed by a decline of 2.7% in intermediate goods. However, new orders for consumer goods increased by 4.3%. Compared with pre-pandemic period (Feb'20), new orders in manufacturing are up by 1.7%.
- China's export growth slowed (22%) less than expected (20.3%) in Nov'21 versus 27.1% rise in Oct'21. Softening was expected as global markets had already front-loaded demand ahead of the festive season. Positive surprise was delivered by demand for PPEs and work from home devices. Imports on the other hand, surged sharply to 31.7% in Nov'21 (est.: 21.5%) from 20.6% in Oct'21. Coal (200%), natural gas (169%) and integrated circuit (25%) imports rose the most.

Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 9bps (1.43%) on expectation of hawkish approach by US Fed. Germany's 10Y yield closed stable at (-0.39%), as Eurozone Finance Ministers remained upbeat on growth prospects. China's 10Y yield fell by 4bps (2.86%) as PBOC has announced RRR cut. Crude prices rose by 4.6% (US\$ 73/bbl) amidst disruption in Iran nuclear talks. India's 10Y yield fell by 1bps (6.36%). It is trading flat today.
- Currency:** Global currencies closed mixed. DXY rose by 0.2% as fears over the new Covid-19 variant subsided. While AUD rose as risk-sentiment improved, JPY fell. EUR fell by 0.3% as Germany's factory orders were weaker than expected. INR depreciated by 0.3% due to FII outflows and higher oil prices. However, it is trading higher today, in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors continued to monitor the impact of new Covid-19 variant and volatility in prices of crypto currency (Bitcoin). Amongst other indices, Asian indices ended in red while the US and European indices ended in green. Sensex (1.6%) declined the most led by weaker global cues. IT and real estate stocks were the worst hit. However, it is trading higher today in line with other Asian stocks.

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