

MACRO DAILY

07 January 2022

Macro developments

- Union Cabinet has approved Phase-II of the Green Energy Corridor (GEC) scheme. Under this, about 10,750 circuit kilometres (ckm) of transmission lines and ~27,500 mega volt-amperes (MVA) of sub-station capacity will be installed. The estimated cost of the scheme is Rs 120.3bn of which, 33% (Rs 39.7bn) will be met through central financial assistance.
- US factory orders rose by 1.6% in Nov'21 (est.: 1.5%) from 1.2% in Oct'21. This was supported by orders for computer and electronic products (4% versus 0.9%) and transportation equipment (6.5% versus -0.3%). Core orders (non-defence capital goods, excluding aircraft), used as proxy for business spending, remained unchanged in Nov'21 at 0.1%. Separately, initial jobless claims for the week ending 1 Jan 2022 rose to 207k from 200k in the previous week. The 4-week moving average also rose to 205k from 220k last week.
- Germany's factory orders rebounded sharply by 3.7% in Nov'21 compared with a decline of 5.8% in Oct'21, on a MoM basis. This was led by strong demand for new orders from abroad (up by 8% in Nov'21), while domestic demand moderated (dropped by 2.5% in Nov'21). New orders for manufacture of other transport equipment including aircraft, ships, trains (32% in Nov'21) rose the most, followed by manufacturing of motor vehicles, trailers and semi-trailers (7% Nov'21).

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Markets

- Bonds:** Global yields closed higher, with UK (+7bps) and Japan's (+4bps) 10Y yield rising the most. US 10Y yield closed 2bps higher at 1.72% as investors assess the impact and probability of Fed's faster than expected policy tightening. Crude prices rose by 1.5% (US\$ 82/bbl), amidst political unrest in Kazakhstan and supply outages in Libya. India's 10Y yield too rose by 2bps (6.53%), but is trading a tad lower today at 6.52%.
- Currency:** Except JPY (higher), other global currencies closed lower. DXY rose by 0.2% supported by better than expected factory orders and expectations of faster pace of rate hikes by Fed. AUD fell the most by 0.8% amidst rising Covid-19 cases and hospitalisations. INR depreciated by 0.2% as oil prices inched up. However, it is trading higher today, in line with other Asian currencies.
- Equity:** Global indices ended lower as investors monitored Fed's minutes which were more hawkish than anticipated. Nikkei (2.9%) fell the most, followed by Dax (1.4%). Sensex (1%) too ended in red and was dragged down by real estate and technology stocks. However, 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
10Y yields (Δ bps)						
US	1.72	2	21	29	15	64
UK	1.16	7	18	42	8	87
Japan	0.12	4	5	8	5	9
Germany	(0.06)	2	12	33	12	46
India	6.53	2	6	17	26	67
China	2.82	2	5	(4)	(5)	(31)
2Y yields (Δ bps)						
US	0.87	4	14	23	56	73
UK	0.81	5	13	35	34	95
Japan	(0.08)	0	1	2	2	3
Germany	(0.60)	2	2	13	11	11
India**	4.38	(1)	(1)	6	32	49
China	2.35	0	(2)	(14)	(13)	(27)
Currencies (Δ %)						
EUR	1.1297	(0.2)	(0.2)	0.1	(2.2)	(7.9)
GBP	1.3532	(0.2)	0.2	2.0	(0.6)	(0.3)
JPY	115.83	0.2	(0.7)	(2.1)	(3.8)	(11.6)
AUD	0.7162	(0.8)	(1.3)	1.6	(2.1)	(7.8)
INR	74.50	(0.2)	(0.1)	1.2	0.4	(1.6)
CNY	6.3830	(0.3)	(0.2)	(0.1)	1.0	1.5
Equity & Other indices (Δ %)						
Dow	36,236	(0.5)	(0.4)	2.9	4.3	16.7
FTSE	7,450	(0.9)	0.6	3.0	5.3	8.7
DAX	16,052	(1.4)	1.1	4.4	5.3	14.9
NIKKEI	28,488	(2.9)	(1.1)	2.0	2.9	3.6
Shanghai Comp	3,586	(0.3)	(0.9)	(0.1)	0.5	0.3
SENSEX	59,602	(1.0)	3.1	5.0	(0.1)	23.9
Brent (US\$/bbl)	81.99	1.5	3.4	12.2	0	50.8
Gold (US\$/oz)	1,791	(1.1)	(1.3)	0.7	2.0	(6.4)
CRB Index	581.8	(0.3)	0.5	2.2	3.8	29.5
Rogers Agri Index	1,198.3	(0.6)	0	2.9	6.8	33.5
LIBOR (3M)*	0.23	1	1	4	10	0
INR 5Y Swap*	5.80	0	2	13	0	40
India FII data (US\$ mn)						
	5 Jan	4 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	25.8	(16.9)	(20.8)	(20.8)	(20.8)	481.5
FII-Equity	79.4	181.9	573.1	573.1	573.1	(2,992.1)

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

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