

MACRO DAILY

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Macro developments

- As per news reports, India signed two loan agreements of Rs 21bn with ADB. It concerns infrastructure projects relating to affordable housing in Tamil Nadu and a water sanitation program in Uttarakhand. Notably, over a two-year horizon, investment demand has also picked up by 1.5% in Q2 against 17.1% decline seen in Q1FY22. Further, accelerated pace of vaccination (~50% fully vaccinated), infra push through the GATI plan and sector specific benefic through the PLI scheme are likely to boost investment demand in the near term.
- Germany's ZEW economic sentiment index dipped to 29.9 in Dec'21 (est. 25.4) from 31.7 in Nov'21 due to a resurgence in Covid-19 cases. Persistent supply chain bottlenecks remain a key risk to the growth outlook. The current situation index fell to (-) 7.4 from 12.5 in Nov'21. Separately, industrial production rose by 2.8% in Oct'21 (est. 1% increase), from a decline of 0.5% in Sep'21 (MoM).
- Japan's economy shrank at a much faster pace than anticipated in Jun-Sep'21 at an annualised pace of 3.6% (versus decline of 3% estimated earlier) on a quarterly basis compared with an expansion of 0.5% in Apr-Jun'21. The downward revision was led by sharp dip in private consumption (down by 1.3% from earlier estimate of 1.1%) as the spending on durable goods and services took a hit. Expenditure on durable goods registered the steepest fall since FY94, falling to 16.3%. Some analyst expect the new variant could pose a downside risk to exports, though the promised stimulus package could boost GDP.

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Markets

- Bonds:** Except UK (lower), global yields closed higher. US 10Y yield rose by 4bps (1.43%) ahead of CPI data. Crude prices rose by 3.2% (US\$ 75/bbl) amidst resumption of Iran nuclear talks and expectation that the new Covid-19 variant might not impede demand. India's 10Y yield rose by 3bps (6.39%), ahead of RBI policy.
- Currency:** Global currencies closed mixed. AUD rose the most by 1%, as risk-sentiment improved. CNY strengthened by 0.2% as China's exports fell less than expected. DXY closed flat. JPY fell by 0.1%. INR ended flat supported by FII inflows even as oil prices increased. Asian currencies are trading higher today amidst easing concerns over the severity of the new Covid-19 variant.
- Equity:** With fears of new Covid-19 receding, global indices rebounded and ended in green. Amongst other indices, Dax (2.8%) surged the most followed by Nikkei (1.9%). Sensex (1.6%) too ended in green led by sharp gains in metal and real estate stocks. It is trading further higher today ahead of RBI policy and in line with other Asian stocks.



Fig 1 – Movement in key global asset classes

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|--------------|--------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.47 | 4 | 3 | 2 | 10 | 56 |
| UK | 0.73 | (1) | (8) | (12) | (1) | 47 |
| Japan | 0.06 | 1 | 0 | 0 | 1 | 4 |
| Germany | (0.38) | 1 | (3) | (10) | (5) | 23 |
| India | 6.39 | 3 | 7 | 3 | 20 | 54 |
| China | 2.88 | 2 | 2 | (1) | 2 | (40) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.69 | 6 | 12 | 29 | 47 | 54 |
| UK | 0.46 | (1) | (2) | 5 | 27 | 54 |
| Japan | (0.11) | (1) | 2 | 0 | 1 | 1 |
| Germany | (0.70) | 3 | 4 | 3 | 0 | 7 |
| India | 4.59 | 5 | 1 | 15 | 51 | 65 |
| China | 2.50 | 1 | 1 | 5 | 1 | (48) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1267 | (0.2) | (0.6) | (2.6) | (4.8) | (6.9) |
| GBP | 1.3244 | (0.2) | (0.4) | (1.9) | (3.9) | (0.8) |
| JPY | 113.60 | (0.1) | (0.4) | (0.2) | (3.0) | (9.1) |
| AUD | 0.7119 | 1.0 | (0.1) | (3.8) | (3.6) | (3.9) |
| INR | 75.43 | 0 | (0.3) | (1.3) | (2.7) | (2.6) |
| CNY | 6.3663 | 0.2 | 0 | 0.5 | 1.6 | 2.6 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 35,719 | 1.4 | 3.6 | (1.7) | 1.8 | 18.4 |
| FTSE | 7,340 | 1.5 | 4.0 | 0.5 | 2.7 | 11.9 |
| DAX | 15,814 | 2.8 | 4.7 | (1.5) | (0.2) | 19.1 |
| NIKKEI | 28,456 | 1.9 | 2.3 | (3.9) | (4.9) | 7.5 |
| Shanghai Comp | 3,595 | 0.2 | 0.9 | 3.0 | (2.2) | 5.4 |
| SENSEX | 57,634 | 1.6 | 1.0 | (3.6) | (1.1) | 26.4 |
| Brent (US\$/bbl) | 75.44 | 3.2 | 6.9 | (8.8) | 5.2 | 54.5 |
| Gold (US\$/oz) | 1,784 | 0.3 | 0.5 | (1.9) | (0.6) | (4.6) |
| CRB Index | 571.4 | 0.4 | 1.3 | 0.6 | 3.1 | 32.0 |
| Rogers Agri Index | 1,163.2 | (0.1) | 2.5 | 2.4 | 8.7 | 42.9 |
| LIBOR (3M)* | 0.19 | 1 | 1 | 4 | 7 | (4) |
| INR 5Y Swap* | 5.70 | 3 | (9) | (17) | (10) | 49 |
| India FII data (US\$ mn) | | | | | | |
| | 6 Dec | 3 Dec | WTD | MTD | CYTD | FYTD |
| FII-Debt | (59.7) | (35.2) | (59.7) | (78.3) | 5.0 | 2,032.3 |
| FII-Equity | (394.1) | (394.1) | (397.1) | (1,199.4) | 4,303.1 | (3,023.3) |

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

