

MACRO DAILY

12 January 2022

Macro developments

- World Bank has kept its forecast for India's GDP growth unchanged at 8.3% in FY22. It notes that the recovery is not yet "broad-based" even as activity picks up in the contact-intensive sectors. For FY23 and FY24, GDP growth has been revised upwards to 8.7% (7.5% in Jun'21) and 6.8% (6.5% in Jun'21). This has been on the back of a pickup in private investment, mainly due to the PLI scheme. Global growth forecast has been revised downwards to 4.1% in CY22 from 4.3% estimated in Jun'21. However, it noted that "Omicron related economic disruptions could substantially reduce growth".
- Retail sales in Australia rose more than anticipated (est.: 3.6%) by 7.3% in Nov'21 from 4.9% in Oct '21, on MoM basis. Pent-up demand drove record sales in clothing, footwear, personal accessory retailing and household goods segment. In a separate print, exports rose by 2% in Nov'21 versus 3% decline seen in Oct'21, on MoM basis. Imports rose at a faster pace of 6% versus 2% decline. Thus, trade surplus moderated to AU\$ 9.4bn versus AU\$ 10.8bn.
- Japan's current account surplus eased to ¥ 897.3bn in Nov'21 from to ¥ 1.2tn in Oct'21, as trade balance slipped into a deficit of ¥ 431.3bn from a surplus of ¥ 166.7bn in the previous month. This was owing to faster increase in imports (¥ 7.9tn versus ¥ 6.9tn) compared with exports (¥ 7.5tn versus ¥ 7tn). Capital account deficit on the other hand widened, from ¥ 5.4bn in Oct'21 to ¥ 20.7bn.

Markets

- Bonds:** Global yields closed mixed as investors monitored developments on Covid-19 cases, Fed Chair's comments and also remained cautious ahead of CPI data in US and China. US 10Y yield fell by 2bps (1.74%), China's 10Y yield closed flat (2.8%) and Germany's 10Y yield rose a tad by 1bps (-0.03%). Crude prices rose by 3.5% (US\$ 84/bbl), due to decline in US inventory. India's 10Y yield fell by 2bps (6.57%). It is trading at 6.58% today, ahead of CPI data.
- Currency:** Barring JPY (lower) and CNY (flat), other global currencies closed higher. DXY fell by 0.4% following comments from Fed Chair regarding timeline of balance sheet trimming. AUD (0.6%), EUR and GBP (0.4% each) gained the most. INR too rose by 0.2%, despite sharp jump in oil prices. However, it is trading lower today, while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Shanghai Comp, other global indices ended higher as investors shifted their focus towards the comments from Fed Chair on timings of interest rate hike. Amongst other indices, Dax (1.1%) gained the most followed by FTSE (0.6%) and Dow (0.5%). Sensex (0.4%) too ended in green led by gains in power and real estate stocks. It is trading further 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
10Y yields (Δ bps)						
US	1.74	(2)	9	25	16	61
UK	1.17	(2)	9	43	2	82
Japan	0.15	1	7	10	6	11
Germany	(0.03)	1	10	32	6	44
India	6.57	(2)	5	20	24	65
China	2.80	0	1	(7)	(16)	(35)
2Y yields (Δ bps)						
US	0.88	(1)	12	23	54	74
UK	0.84	0	7	41	28	92
Japan	(0.07)	(2)	1	3	3	3
Germany	(0.58)	1	4	11	8	11
India**	4.38	(3)	0	(16)	25	18
China**	2.16	1	(2)	(11)	(14)	(3)
Currencies (Δ %)						
EUR	1.1367	0.4	0.7	0.5	(1.4)	(6.9)
GBP	1.3635	0.4	0.8	2.7	0.3	(0.2)
JPY	115.30	(0.1)	0.7	(1.6)	(1.5)	(11.1)
AUD	0.7210	0.6	(0.4)	0.5	(1.9)	(7.2)
INR	73.91	0.2	0.9	2.5	2.1	(0.9)
CNY	6.3740	0	0	(0.1)	1.2	1.4
Equity & Other indices (Δ %)						
Dow	36,252	0.5	(1.5)	0.8	5.5	16.7
FTSE	7,491	0.6	(0.2)	2.7	5.1	10.9
DAX	15,942	1.1	(1.3)	2.0	5.2	14.5
NIKKEI	28,222	(0.9)	(3.7)	(0.8)	0	0.2
Shanghai Comp	3,567	(0.7)	(1.8)	(2.7)	0.6	(1.1)
SENSEX	60,617	0.4	1.3	3.1	0.6	22.4
Brent (US\$/bbl)	83.72	3.5	4.7	11.4	0.4	48.0
Gold (US\$/oz)	1,822	1.1	0.4	2.2	3.5	(1.8)
CRB Index	585.5	1.0	1.0	2.6	4.4	28.8
Rogers Agri Index	1,201.3	0.6	(0.7)	3.2	8.5	31.7
LIBOR (3M)*	0.24	0	2	4	11	0
INR 5Y Swap*	6.26	0	46	59	41	70
India FII data (US\$ mn)						
	10 Jan	7 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(67.4)	1.2	(67.4)	(45.6)	(45.6)	456.6
FII-Equity	(19.6)	66.4	(19.6)	391.8	391.8	(3,173.4)

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

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