

MACRO DAILY

13 January 2022

Macro developments

- Government of India had launched the PM Garib Kalyan Anna Yojana (PMGKAY) in Mar'20, wherein free food grains were provided to over 800mn beneficiaries under the NFSA. The scheme has been extended since its inception multiple times and is now valid till Mar'22 (5th phase). So far (phase1-5), the food ministry has allocated over 75.9mn tonnes of food grains to states/UTs. This comes at a cost of Rs 2.6tn as food subsidy.
- US CPI rose more than anticipated by 0.5% in Dec'21 (est.: 0.4%) and slightly lower compared to 0.8% in Nov'21, on MoM basis. Core CPI (excl. food and energy) inched up to 0.6% from 0.5%. Energy prices declined by 0.4% against 3.5% increase in Nov'21. Food inflation moderated to 0.5% from 0.7%. On YoY basis, CPI was at its highest since Jun'82 at 7%, core was also elevated at 5.5%.
- China's PPI eased to 10.3% (est.: 11.1%) in Dec'21 following 12.9% rise in Nov'21 as the impact of government measures to rein in prices of raw materials (crude and coal) showed results. Easing energy power crisis also helped. However rising Covid-19 cases, and localised lockdown restrictions pose continuous threat to supply chain issues once again. Separately, China's CPI eased to 1.5% (est.: 1.8%) in Dec'21, from 2.3% in Nov'21, as food prices fell by 1.2%, following 1.6% rise in Nov'21. Core CPI remained unchanged at 1.2% in Dec'21. In CY21 as a whole, PPI was up by 8.1% (-1.8% in CY20) and CPI came in at 0.9% (2.5%).

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps (1.74%) tracking inflation data. Germany's 10Y yield fell by 3bps (-0.06%), as Eurozone's industrial production data showed that supply constraints still persist. Crude prices rose by 1.1% (US\$ 85/bbl) on expectation of demand recovery. India's 10Y yield rose by 3bps (6.6%). It is trading lower at 6.58% today, as CPI data was less than expected.
- Currency:** Barring INR (flat), other global currencies closed higher. DXY fell by 0.7% as rise in US inflation continues to point that Fed will maintain its hawkish stance. AUD (1%), EUR (0.7%) and JPY (0.6%) gained the most. INR ended flat even as oil prices continued to inch up. It is trading lower today, while other Asian currencies are trading higher.
- Equity:** Global indices ended higher as investors monitored US inflation data print. Amongst other indices, Nikkei (1.9%) gained the most. Sensex (0.9%) too ended in green led by gains in power and real estate stocks. It is trading further 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	1.74	1	4	26	21	66
UK	1.14	(3)	5	40	5	83
Japan	0.13	(2)	5	8	4	9
Germany	(0.06)	(3)	3	29	7	46
India	6.60	3	9	23	28	69
China	2.79	(1)	(1)	(8)	(16)	(34)
2Y yields (Δ bps)						
US	0.92	4	9	26	56	78
UK	0.81	(3)	5	38	23	92
Japan	(0.07)	0	1	3	4	4
Germany	(0.59)	(1)	3	11	8	12
India**	4.36	(1)	(3)	(18)	26	16
China**	2.16	0	(2)	(10)	(13)	0
Currencies (Δ %)						
EUR	1.1442	0.7	1.1	1.1	(1.3)	(5.9)
GBP	1.3700	0.5	1.1	3.2	0.3	0.4
JPY	114.64	0.6	1.3	(1.1)	(1.2)	(10.3)
AUD	0.7284	1.0	0.9	1.6	(1.3)	(5.8)
INR	73.92	0	0.6	2.5	1.9	(1.0)
CNY	6.3584	0.2	0.1	0.2	1.1	1.7
Equity & Other indices (Δ %)						
Dow	36,290	0.1	(0.3)	0.9	5.6	16.8
FTSE	7,552	0.8	0.5	3.6	5.7	12.0
DAX	16,010	0.4	(1.6)	2.5	5.0	14.9
NIKKEI	28,766	1.9	(1.9)	1.2	2.2	1.1
Shanghai Comp	3,597	0.8	0.1	(1.9)	1.0	0
SENSEX	61,150	0.9	1.5	4.0	0.7	23.6
Brent (US\$/bbl)	84.67	1.1	4.8	12.7	1.8	51.0
Gold (US\$/oz)	1,826	0.2	0.9	2.4	1.9	(1.0)
CRB Index	587.0	0.2	0.5	2.8	4.6	29.3
Rogers Agri Index	1,205.2	0.3	(0.1)	3.5	10.0	31.6
LIBOR (3M)*	0.24	1	2	5	12	0
INR 5Y Swap*	6.26	0	46	59	44	68
India FII data (US\$ mn)						
	11 Jan	10 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	36.5	(67.4)	(30.9)	(9.1)	(9.1)	493.2
FII-Equity	54.6	(19.6)	34.9	446.4	446.4	(3,118.8)

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

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