

MACRO DAILY

17 January 2022

Macro developments

- SIAM's data showed that India's automobile sales fell by 21.8% in Dec'21 against 7.2% decline in Nov'21. Global shortage of semi-conductors came into play and dragged the print down. Two wheeler sales fell sharply by 24.4% versus 5.9% in Nov'21. Passenger vehicle sales however fell at a slower pace of 12.6% versus 16.2% in Nov'21. Over a 2-Year horizon (pre-pandemic), total sales were down by 4.8% versus 21% decline in Nov'21.
- Chinas Q4CY21 GDP eased to 4% (est.: 3.3%) from 4.9% in Q3, largely owing to base effect. Growth was supported by pick up in industrial production (4.3% in Dec'21 from 3.8% in Nov'21) and better than estimated performance of FAI (4.9% versus 4.8%). On the other hand, consumption weighed down on growth as retail sales eased to 1.7% in Dec'21 (est.: 3.7%) from 3.9% in Nov'21. In CY21, GDP was up by 8.1%, much above government's 6% target. In order to support slowing growth in CY22, PBOC has reduced its 7-day reverse repo rate to 2.1% from 2.2% and has also cut the MLF rate to 2.85% from 2.95%.
- US industrial production declined by 0.1% in Dec'21 (est. +0.5%) following a 0.7% increase in Nov'21 on a MoM basis. This was led by a 0.3% dip in manufacturing output, compared with an increase of 0.6% in Nov'21. Production of auto and parts declined by 1.3% in Dec'21, after increasing by 1.7% in Dec'21. On the other hand, mining production improved to 2% in Dec'21 from 0.5% in Nov'21. Capacity utilization for the manufacturing sector edged down to 77% from 77.2% in Nov'21.

Markets

- Bonds:** Except China (stable), global yields closed higher. US 10Y yield rose the most by 8bps (1.78%) amidst hawkish remarks by some of the Fed officials. UK 10Y yield rose by 4bps (1.15 %) as its GDP print rose more than expected. Crude prices rose by 1.9% (US\$ 86/bbl) despite expectation of strategic reserve release by China. India's 10Y yield rose by 2bps (6.58%) on account of Rs 54bn devolvement of the NEW GS 2032 security. It is trading at 6.63% today.
- Currency:** Barring JPY (flat) and CNY (higher), other global currencies closed lower against the dollar. DXY rose by 0.4% as investors brace for hawkish comments from Fed meeting scheduled later in the month. AUD fell the most by 1%. INR depreciated by 0.4% as oil prices continue to edge up. It is trading further lower today, in line with other Asian currencies.
- Equity:** Barring Sensex (flat), global indices closed lower. Nikkei and Shanghai Comp fell the most. Investors monitored statements of Fed officials signalling rate hike in Mar'22 and geopolitical tensions surrounding Russia and Ukraine. However, Sensex is trading 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	1.78	8	2	33	21	70
UK	1.15	4	(3)	41	4	86
Japan	0.14	1	0	9	6	10
Germany	(0.05)	4	0	31	12	50
India	6.58	2	4	22	25	63
China	2.79	0	(3)	(9)	(20)	(36)
2Y yields (Δ bps)						
US	0.97	7	10	30	57	83
UK	0.80	4	(3)	31	22	93
Japan	(0.07)	1	(2)	3	4	4
Germany	(0.58)	2	1	10	9	14
India**	4.31	(4)	(9)	(7)	21	12
China**	2.15	(2)	(2)	(14)	(15)	(14)
Currencies (Δ %)						
EUR	1.1411	(0.4)	0.4	1.1	(1.6)	(5.6)
GBP	1.3675	(0.2)	0.6	3.1	(0.6)	0.6
JPY	114.19	0	1.2	(0.1)	0	(10.0)
AUD	0.7208	(1.0)	0.4	0.5	(2.9)	(6.4)
INR	74.15	(0.4)	0.2	2.7	1.5	(1.5)
CNY	6.3527	0.1	0.4	0.2	1.3	2.0
Equity & Other indices (Δ %)						
Dow	35,912	(0.6)	(0.9)	0	1.7	16.5
FTSE	7,543	(0.3)	0.8	5.2	4.3	12.0
DAX	15,883	(0.9)	(0.4)	2.6	1.9	15.2
NIKKEI	28,124	(1.3)	(1.2)	(1.2)	(3.2)	(1.4)
Shanghai Comp	3,521	(1.0)	(1.6)	(3.5)	(1.4)	(1.3)
SENSEX	61,223	0	2.5	5.9	(0.1)	24.9
Brent (US\$/bbl)	86.06	1.9	5.3	16.5	1.4	56.2
Gold (US\$/oz)	1,818	(0.3)	1.2	2.3	2.8	(0.6)
CRB Index	578.0	(1.2)	(1.0)	2.0	1.9	27.3
Rogers Agri Index	1,198.4	0.5	(0.6)	3.7	7.2	29.7
LIBOR (3M)*	0.24	0	1	3	12	2
INR 5Y Swap*	6.20	16	40	55	40	61
India FII data (US\$ mn)						
	13 Jan	12 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	85.0	43.7	97.9	119.6	119.6	621.9
FII-Equity	(185.4)	(98.0)	(248.5)	162.9	162.9	(3,402.3)

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

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