

MACRO DAILY

18 January 2022

Macro developments

- E-way bill generation in India has remained broadly steady in Jan'22 so far with a daily average of 2.1mn e-way bills generated in the week ending 16 Jan 2022, compared with daily average of 2mn for the week ending 9 Jan 2022. With lower severity in cases due to Omicron variant, impact on growth is not as much as it was seen during the second wave. Even compared to last month (2.2mn as of 19 Dec 2021), daily e-way generation has come down marginally in Jan'22 so far.
- Bank of Japan (BoJ) in its latest policy kept rate, bond yield target and asset purchases unchanged. However, it nudged upward its inflation forecasts for both FY22: Apr'22-Mar'23 (1.1% versus 0.9% earlier) and FY23: Apr'23-Mar'24 (1.1% versus 1% earlier). This was on the back of rising energy cost and dissipating effect of reduced mobile phone charges. Growth forecast for FY22 has been revised upward to 3.8% versus 2.9% earlier and for FY23, it is revised downward to 1.1% versus 1.3%. Separately, industrial production moderated to 7% in Nov'21 versus 7.2% in Oct'21, on MoM basis.
- Singapore's non-oil domestic exports rose more than expected by 18.4% in Dec'21 (est. 13.8%), after increasing by 24.2% in Nov'21 on a YoY basis. This marked the 13th successive month of increase. Exports of both electronics (13.6%) and non-electronic products (19.9%) increased. While exports to China and EU improved, exports to US declined. On a MoM basis too, exports were up by 3.7% in Dec'21 compared with 1% in Nov'21.

Markets

- **Bonds:** Except China (lower) global yields closed higher, as markets are pricing in rate hikes by major central banks. However, China's 10Y yield fell a tad by 1bps (2.79%) on account of PBOC's stimulus. Crude prices rose by 0.5% (US\$ 86/bbl) amidst geopolitical concerns surrounding Russia and Ukraine. India's 10Y yield rose the most by 6bps (6.64%) on account of devolvement in Friday's auction. It is trading at 6.66%.
- **Currency:** Global currencies closed mixed. DXY rose by 0.1% on expectations of hawkish comments from Fed. JPY fell the most by 0.4%. CNY rose by 0.1% even as PBOC cut key rates to support growth. INR depreciated by 0.1% amidst higher oil prices. It is trading further lower today in line with other Asian currencies.
- **Equity:** Global indices mostly closed higher. FTSE, Nikkei and Shanghai Comp rose the most. Investors monitored China's macro prints and rate cut and await Fed's comments. Sensex rose by 0.1%, led by power and real estate stocks. However, it is trading lower today, while other Asian stocks are trading higher.

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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 | 38 | 18 | 70 |
| UK | 1.19 | 4 | 0 | 43 | 5 | 90 |
| Japan | 0.15 | 1 | 1 | 10 | 5 | 9 |
| Germany | (0.03) | 2 | 1 | 35 | 12 | 50 |
| India | 6.64 | 6 | 5 | 23 | 25 | 72 |
| China | 2.79 | (1) | (2) | (11) | (25) | (39) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.97 | 7 | 7 | 33 | 54 | 83 |
| UK | 0.84 | 4 | (1) | 33 | 11 | 97 |
| Japan | (0.06) | 1 | (2) | 4 | 4 | 5 |
| Germany | (0.56) | 2 | 2 | 16 | 7 | 15 |
| India** | 4.32 | 2 | (8) | (3) | 13 | 13 |
| China** | 2.15 | (2) | 0 | (16) | (17) | (21) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1408 | 0 | 0.7 | 1.5 | (1.7) | (5.5) |
| GBP | 1.3647 | (0.2) | 0.5 | 3.0 | (0.6) | 0.4 |
| JPY | 114.63 | (0.4) | 0.5 | (0.9) | (0.3) | (10.6) |
| AUD | 0.7217 | 0.1 | 0.7 | 1.3 | (2.6) | (6.0) |
| INR | 74.24 | (0.1) | (0.3) | 2.4 | 1.5 | (1.3) |
| CNY | 6.3484 | 0.1 | 0.4 | 0.4 | 1.3 | 2.2 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 35,912 | (0.6) | (0.4) | 1.5 | 1.9 | 16.5 |
| FTSE | 7,611 | 0.9 | 2.2 | 4.7 | 5.7 | 13.3 |
| DAX | 15,934 | 0.3 | 1.0 | 2.6 | 3.0 | 15.1 |
| NIKKEI | 28,334 | 0.7 | (0.5) | (0.7) | (2.4) | 0.3 |
| Shanghai Comp | 3,542 | 0.6 | (1.4) | (2.5) | (0.7) | (1.5) |
| SENSEX | 61,309 | 0.1 | 1.5 | 7.5 | (0.7) | 26.2 |
| Brent (US\$/bbl) | 86.48 | 0.5 | 6.9 | 17.6 | 2.5 | 58.0 |
| Gold (US\$/oz) | 1,819 | 0.1 | 1.0 | 1.2 | 3.1 | (1.2) |
| CRB Index | 578.0 | (1.2) | (0.2) | 1.8 | 1.7 | 27.3 |
| Rogers Agri Index | 1,198.4 | 0.5 | 0.3 | 2.6 | 7.2 | 29.7 |
| LIBOR (3M)* | 0.24 | 0 | 0 | 3 | 11 | 2 |
| INR 5Y Swap* | 6.20 | 0 | (6) | 52 | 35 | 63 |
| India FII data (US\$ mn) | | | | | | |
| | 14 Jan | 13 Jan | WTD | MTD | CYTD | FYTD |
| FII-Debt | 193.3 | 85.0 | 291.2 | 312.9 | 312.9 | 815.2 |
| FII-Equity | (347.4) | (185.4) | (595.9) | (184.4) | (184.4) | (3,749.7) |

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | **1Y yield | Markets in US were closed for holiday on 17.01.2022

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