

MACRO DAILY

19 January 2022

Macro developments

- As per news reports, FM is likely to consider a waiver of capital gain tax in the upcoming Union Budget of India. An overseas investor is supposed to pay a short-term capital gains tax in the range of 30-40%, if a listed bond is sold within 12 months. Thus, waiver of capital gain tax is likely to be beneficial in terms of India's inclusion in the global bond indices and will improve liquidity as well.
- Germany's ZEW economic sentiment index rose sharply in Jan'22 to 51.7 points from 29.9 points in Dec'21. This is owing to positive outlook assuming decline in Covid-19 cases by summer of 2022, which in turn is expected to provide support to consumer related and export oriented sectors. Eurozone inflation is also expected to come down in the next 6 months with 58% of the respondents expecting a decline.
- Labour market conditions in the UK remained strong in Dec'21. The number of employees on payroll increased by a record high of 184,000 compared with 162,000 in Nov'21. Unemployment rate inched down to its lowest since Jun'20 at 4.1% in the 3-months to Nov'21 from 4.5% earlier. However, wage growth slowed to 4.2% between Sep'21 and Nov'21 on a YoY basis, from 4.9% previously.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose the most by 9bps (1.87%-highest since Jan'20) on expectation of aggressive hike by Fed. China's 10Y yield fell by 4bps (2.75%) amidst stimulus by PBOC. Crude prices rose by 1.2% (US\$ 88/bbl-highest since Oct'14) due to geopolitical tensions in UAE. India's 10Y yield fell a tad by 1bps (6.63%). It is trading at 6.64% today.
- Currency:** Except JPY (flat), other global currencies closed lower against the dollar. DXY rose by 0.5% as US 10Y yield rose to a 2-year high. EUR fell the most by 0.7% even as Germany's economic sentiment index improved markedly. INR depreciated by 0.5% as oil prices rose sharply to a more than 7-year high. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp (higher), other global indices closed lower. Dow (1.5%) and Dax (1%) fell the most. Investors are expecting a faster than anticipated rate hike by Fed. Sensex fell by 0.9%, led by real estate, metal and auto stocks. It is trading further lower today, 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	1.87	9	14	47	24	78
UK	1.22	3	5	46	5	93
Japan	0.14	(1)	(1)	9	6	9
Germany	(0.02)	1	1	36	9	51
India	6.63	(1)	6	22	24	72
China	2.75	(4)	(6)	(15)	(26)	(42)
2Y yields (Δ bps)						
US	1.04	8	16	40	65	91
UK	0.87	3	3	36	13	99
Japan	(0.07)	(1)	0	4	4	4
Germany	(0.57)	(1)	1	15	6	14
India**	4.32	2	(8)	(3)	13	13
China**	2.10	(4)	(6)	(21)	(21)	(29)
Currencies (Δ %)						
EUR	1.1325	(0.7)	(0.4)	0.8	(2.6)	(6.6)
GBP	1.3596	(0.4)	(0.3)	2.7	(1.5)	(0.2)
JPY	114.61	0	0.6	(0.9)	(0.2)	(10.3)
AUD	0.7185	(0.4)	(0.3)	0.8	(3.9)	(6.6)
INR	74.58	(0.5)	(0.9)	2.0	1.0	(1.9)
CNY	6.3530	(0.1)	0.3	0.4	0.5	1.9
Equity & Other indices (Δ %)						
Dow	35,368	(1.5)	(2.4)	0	(0.3)	14.3
FTSE	7,564	(0.6)	1.0	4.0	4.8	12.7
DAX	15,773	(1.0)	(1.1)	1.6	1.7	14.2
NIKKEI	28,257	(0.3)	0.1	(1.0)	(3.3)	(1.3)
Shanghai Comp	3,570	0.8	0.1	(1.7)	(0.6)	0.1
SENSEX	60,755	(0.9)	0.2	6.6	(1.6)	23.0
Brent (US\$/bbl)	87.51	1.2	4.5	19.0	2.9	56.5
Gold (US\$/oz)	1,814	(0.3)	(0.4)	0.9	2.5	(1.4)
CRB Index	582.1	0.7	(0.6)	2.5	2.5	27.4
Rogers Agri Index	1,203.3	0.4	0.2	3.0	7.7	30.9
LIBOR (3M)*	0.25	1	1	4	12	2
INR 5Y Swap*	6.20	0	(6)	52	35	68
India FII data (US\$ mn)						
	14 Jan	13 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	57.5	193.3	57.5	370.4	370.4	872.7
FII-Equity	(32.8)	(347.4)	(32.8)	(217.2)	(217.2)	(3,782.4)

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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