

MACRO DAILY

26 November 2021

Macro developments

- Ministry of Finance (MoF) has increased the amount allocated for MGNREGA by Rs 100bn earlier this month. This is over and above Rs 730bn budgeted for it, as that amount has already been exhausted by the Ministry of Rural Development. Further allocation may also be made when government revises its BE figures at the time of budget making exercise. In FY21 too, MoF had increased the amount allocated to Rs 1.1tn from BE of Rs 651bn.
- Bank of Korea (BoK), hiked its policy rate again by 25bps to 1%, in line with market expectations. Previously it had hiked policy rate in Aug'21. Rising inflationary pressure is the key driver, which also pushed BoK to raise its CY22 inflation forecast up to 2% from 1.5% earlier. However, growth forecasts have been left unchanged (4% for CY21 and 3% for CY22), despite worries over higher interest burden impacting household debt repayments and consumption. Analysts expect policy rate to reach 1.5% by the end of CY22.
- Germany's Q3CY21 GDP growth was revised downwards to 1.7% (QoQ) compared with 1.8% estimated earlier. In Q2CY21, GDP rose by 2%. While private consumption rose in Q3, government consumption, exports and business investment declined (QoQ). Separately, GfK's consumer sentiment index declined to a 6-month low of (-) 1.6 in Dec'21 from 1.0 in Nov'21. Persistent supply side bottlenecks as well as rising Covid-19 cases are likely to impact growth in Q4CY21.

Markets

- Bonds:** Except Japan and India (stable), global yields closed lower amidst reports of spread of new Covid-19 variant in South Africa. Germany's 10Y yield fell by 2bps (-0.25%) as macro prints remained weak and ECB minutes highlighted that stimulus may be given as and when needed. Crude prices closed flat at US\$ 82/bbl as OPEC's Economic Commission Board expects surplus in the coming months. India's 10Y yield is trading lower at 6.33% today, as RBI has announced underwriting auction of Rs 240bn securities.
- Currency:** Global currencies closed mixed. After rising to a 16-month high, DXY fell marginally lower by 0.1%. EUR rose by 0.1% despite weak economic data from Germany. INR depreciated by 0.2% amidst FII outflows. It is trading further lower today, in line with other Asian currencies.
- Equity:** Except Shanghai Comp (lower), global indices closed higher amidst political developments in Europe. Nikkei rose the most by 0.7% supported by stimulus announcement. FTSE and Dax rose by 0.3% and 0.2%, respectively. Sensex rose by 0.8%, led by real estate and oil and gas stocks. However, it is trading lower 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	1.63	(3)	5	0	29	75
UK	0.97	(3)	4	(17)	37	69
Japan	0.09	0	1	(2)	6	6
Germany	(0.25)	(2)	2	(14)	16	34
India	6.37	0	2	2	12	50
China	2.89	(2)	(3)	(10)	0	(42)
2Y yields (Δ bps)						
US	0.64	3	14	20	40	48
UK	0.57	(1)	4	(7)	43	61
Japan	(0.12)	0	0	(2)	0	2
Germany	(0.74)	1	1	(7)	0	2
India	4.57	0	5	15	44	67
China	2.48	(2)	(2)	(4)	0	(57)
Currencies (Δ %)						
EUR	1.1209	0.1	(1.4)	(3.4)	(4.6)	(5.9)
GBP	1.3322	0	(1.3)	(3.2)	(2.8)	(0.3)
JPY	115.36	0.1	(1.0)	(1.5)	(4.8)	(10.6)
AUD	0.7190	(0.1)	(1.2)	(4.0)	(0.6)	(2.3)
INR	74.51	(0.2)	(0.4)	0.8	(0.4)	(0.8)
CNY	6.3862	0.1	0	0	1.5	2.9
Equity & Other indices (Δ %)						
Dow	35,804	0	(0.2)	0.2	1.7	19.9
FTSE	7,310	0.3	0.7	1.2	2.6	14.9
DAX	15,918	0.2	(1.9)	2.0	0.8	19.8
NIKKEI	29,499	0.7	(0.3)	3.1	6.3	11.2
Shanghai Comp	3,584	(0.2)	1.8	(0.7)	2.4	6.4
SENSEX	58,795	0.8	(1.4)	(3.6)	5.1	32.8
Brent (US\$/bbl)	82.22	0	1.2	(4.4)	15.7	72.0
Gold (US\$/oz)	1,789	0	(3.8)	(1.0)	(0.2)	(1.5)
CRB Index	572.3	0	0.6	0.6	2.1	34.0
Rogers Agri Index	1,192.2	(0.2)	1.4	5.3	9.6	44.4
LIBOR (3M)*	0.18	0	2	5	6	(4)
INR 5Y Swap*	5.94	2	2	0	17	73
India FII data (US\$ mn)						
	24 Nov	23 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(181.4)	(144.6)	(340.9)	140.3	70.0	2,097.2
FII-Equity	(1,082.4)	(625.4)	(1,991.5)	945.8	7,204.3	(122.0)

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | Markets in US were closed on 25 Nov 2021

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