

MACRO DAILY

28 December 2021

Macro developments

- As per Ministry of Consumer Affairs, Government in the ongoing Rabi Marketing season (Oct-Sep'21) has procured 44.3mn tonnes of paddy at MSP level. Most of the quantities have been purchased from Punjab (18.6mn tonne), Haryana (5.5mn tonnes) and Telangana (5.3mn tonnes). With this, over 4.7mn farmers have benefitted from the MSP value of Rs 869.2bn. Last year, the government had procured over 89.4mn tonnes of paddy and over 13.1mn farmers had benefitted.
- Japan's industrial production rose on MoM basis by 7.2% (est.: 4.8%) in Nov'21 from 1.8% in Oct'21. This is the sharpest jump in decades and was led by higher production of autos (43.1% versus 15.9%) and easing supply chain issues. Recovery was also visible in production of iron, steel and non-ferrous metals (6.5% versus -2.3%) and electronic parts and devices (3.1% versus -1.1%). The ministry expects production to increase by 1.6% in Dec'21 and by 5% in Jan'22.
- Consumer confidence in South Korea deteriorated to 103.9 in Dec'21 from 107.6 in Nov'21. This was the first drop in past four months on the back of falling outlook on future economic growth and spending. Among major sub-indices, spending on travel, dine-out, leisure and cultural activities fell the most due to stringent measures to contain the spread of Omicron variant.

Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 2bps (1.48%) as concerns linger over uncertainty with regard to impact of Omicron variant. While Germany's 10Y yield rose by 1bps, UK and India's 10Y yield closed stable. Crude prices rose by 3.2% (US\$ 79/bbl) as investors are anxious of the 4 Jan 2022 OPEC+ meeting. India's 10Y yield is trading higher at 6.49% today.
- Currency:** Barring JPY, CNY (lower) and INR (flat), other global currencies closed higher. DXY rose by 0.1% owing to renewed risks to global growth on account of rising Omicron cases. GBP rose the most by 0.4%, as government confirmed that no fresh restrictions will be announced. INR is trading higher today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed led by renewed fears to global growth as the Omicron cases multiplied across countries. Both Nikkei and Shanghai Comp ended in red. However, Sensex (0.5%) rebounded with midcap and smallcap indices ending higher by 0.3% and 0.5% respectively. It is trading higher today in line with other Asian stocks.

Jahnavi

jahnavi@bankofbaroda.com

+91 22 6698 5794



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.48	(2)	5	0	(1)	55
UK	0.93	0	15	10	(3)	67
Japan	0.06	(1)	2	(1)	0	4
Germany	(0.24)	1	12	9	(2)	32
India	6.47	0	3	14	26	59
China	2.81	(1)	(4)	(4)	(6)	(35)
2Y yields (Δ bps)						
US	0.70	1	7	20	42	58
UK	0.67	0	13	20	28	79
Japan	(0.07)	0	3	7	5	5
Germany	(0.64)	4	9	11	5	6
India	4.45	7	6	17	49	109
China	2.47	(2)	(2)	0	(1)	(27)
Currencies (Δ %)						
EUR	1.1328	0.1	0.4	0.1	(3.1)	(7.3)
GBP	1.3441	0.4	1.8	0.8	(1.9)	(0.1)
JPY	114.87	(0.4)	(1.1)	(1.3)	(3.5)	(10.7)
AUD	0.7239	0.2	1.8	1.6	(0.6)	(4.5)
INR	75.00	0	1.2	(0.2)	(1.6)	(2.0)
CNY	6.3710	(0.1)	0.1	0.3	1.3	2.5
Equity & Other indices (Δ %)						
Dow	36,302	1.0	3.9	4.0	4.1	19.4
FTSE	7,373	0	2.4	4.7	4.4	13.4
DAX	15,756	0	3.4	3.3	1.2	14.3
NIKKEI	28,676	(0.4)	2.6	(0.3)	(5.2)	6.8
Shanghai Comp	3,616	(0.1)	0.6	1.5	0.9	6.4
SENSEX	57,420	0.5	2.9	0.5	(4.4)	21.3
Brent (US\$/bbl)	78.60	3.2	9.9	8.1	(1.2)	54.5
Gold (US\$/oz)	1,812	0.1	1.2	0.5	3.5	(3.3)
CRB Index	576.2	0.4	2.0	1.3	4.3	30.5
Rogers Agri Index	1,210.1	1.1	4.5	2.7	10.9	40.5
LIBOR (3M)*	0.22	0-	1	4	9	(2)
INR 5Y Swap*	5.75	2	7	(12)	(2)	48
India FII data (US\$ mn)						
	24 Dec	23 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(491.9)	(166.4)	(926.1)	(1,513.1)	(1,429.8)	597.5
FII-Equity	(31.0)	41.8	(493.8)	(1,697.0)	3,805.5	(3,520.9)

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | US markets were closed on 24.12.2021

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5794

chief.economist@bankofbaroda.com