

MACRO DAILY

06 December 2021

Macro developments

- Central government has presented second supplementary grant in the parliament seeking additional expenditure to the tune of Rs 3.74tn. Of this, Rs 2.99tn is expected to be the additional cash outgo while the remaining amount is estimated to be met through savings. Key spending proposals include: clearing of past dues of Air India (Rs 621bn), additional fertilizer (Rs 584bn) and food subsidy (Rs 498bn), clearing dues of exporters (Rs 531bn), and additional outgo for MGNREGA (Rs 220bn). Earlier, in the 1st supplementary grant, approval was sought for Rs 1.87tn additional spending, with net cash outgo of Rs 237bn.
- India's foreign exchange reserves for the week ended 26 Nov 2021 declined to US\$ 637.7bn. Forex reserves declined by US\$ 2.7bn this week, compared with a decline of US\$ 0.3bn last week. In FYTD22 so far, forex exchange accretion has been lower at US\$ 58.4bn compared with an increase of US\$ 99.3bn in the same period last year. In CYTD21, forex reserves have increased by US\$ 56.8bn.
- US nonfarm payroll addition fell to 210K in Nov'21 (est.: 550K) and against 546K seen in Oct'21. This was on account of job losses at retailers and local government education. Unemployment rate and labour force participation rate was at 4.2% and 61.8% respectively. Average hourly earnings, on MoM basis was at 0.3% against 0.4% in Oct'21. In a separate print, US ISM service index rose to a fresh record high of 69.1 (est.: 65) and compared to 66.7 in Oct'21, driven by pickup in new orders.

Markets

- Bonds:** Except India and China (higher), global yields closed lower. US 10Y yield fell the most by 10bps (1.34%) as nonfarm payroll addition remained muted. Crude prices rose by 0.3% (US\$ 70/bbl) amidst an interplay of factors surrounding OPEC+ response and concerns of demand over new Covid-19 variant. India's 10Y yield rose by 2bps (6.37%) amidst Centre seeking approval for additional Rs 2.99tn spending (cash outgo). It is trading at 6.36% today.
- Currency:** Global currencies closed mixed. DXY closed flat even as US payroll data was weaker than expected. While JPY strengthened by 0.3% on safe-haven demand, AUD fell sharply by 1.3%. INR depreciated by 0.2% due to FII outflows. It is trading further lower today, while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp and Nikkei, other global indices ended lower as uncertainty surrounding the impact of new Covid-19 variant impacted investor sentiments. Amongst other indices, Sensex (1.3%) declined the most led by subdued global cues and sharp losses in banking and auto stocks. Dax (0.6%) too ended lower. Sensex is trading lower today in line with other Asian stocks.

Dipanwita Mazumdar

dipanwita.mazumdar@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	1.34	(10)	(13)	(21)	2	38
UK	0.75	(6)	(8)	(29)	3	40
Japan	0.05	(1)	(2)	(3)	1	3
Germany	(0.39)	(2)	(5)	(22)	(3)	16
India	6.37	2	4	1	21	55
China	2.90	1	4	(3)	7	(40)
2Y yields (Δ bps)						
US	0.59	(3)	9	14	38	44
UK	0.48	(7)	0	(20)	28	51
Japan	(0.11)	0	2	(1)	2	1
Germany	(0.74)	(1)	1	(8)	(4)	0
India	4.59	5	1	13	52	72
China	2.51	2	4	3	6	(48)
Currencies (Δ %)						
EUR	1.1315	0.1	0	(2.3)	(4.8)	(6.6)
GBP	1.3236	(0.5)	(0.8)	(2.8)	(4.6)	(1.5)
JPY	112.80	0.3	0.5	1.0	(2.8)	(8.3)
AUD	0.7001	(1.3)	(1.7)	(5.8)	(6.2)	(5.7)
INR	75.17	(0.2)	(0.4)	(0.6)	(2.9)	(1.9)
CNY	6.3765	0	0.3	0.4	1.2	2.4
Equity & Other indices (Δ %)						
Dow	34,580	(0.2)	(0.9)	(4.1)	(2.2)	14.4
FTSE	7,122	(0.1)	1.1	(2.1)	(0.2)	8.7
DAX	15,170	(0.6)	(0.6)	(4.9)	(3.9)	14.1
NIKKEI	28,030	1.0	(2.5)	(5.1)	(3.8)	4.8
Shanghai Comp	3,607	0.9	1.2	2.9	0.7	4.7
SENSEX	57,696	(1.3)	1.0	(3.9)	(0.7)	28.0
Brent (US\$/bbl)	69.88	0.3	(3.9)	(17.5)	(3.8)	41.9
Gold (US\$/oz)	1,783	0.8	(1.1)	(0.3)	(2.4)	(3.0)
CRB Index	566.3	0.3	(0.4)	(0.7)	1.5	32.5
Rogers Agri Index	1,158.4	0.2	(1.7)	0.2	7.3	41.5
LIBOR (3M)*	0.18	1	0	4	6	(5)
INR 5Y Swap*	5.69	(7)	(18)	(18)	(11)	51
India FII data (US\$ mn)						
	2 Dec	1 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	89.2	(72.7)	136.6	16.6	99.9	2,127.2
FII-Equity	(40.2)	(368.0)	(1,591.4)	(408.3)	5,094.2	(2,232.1)

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5794

chief.economist@bankofbaroda.com