

Daily DEBT Market Update

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Good Morning,

The market roundup for the global and domestic markets for Friday (December 31, 2021) is as follows:

- **Major US indices** finished their final trading session of the year lower, capping off a record-setting 2021 that came despite the persistent headwinds of Covid-19. The major averages posted double-digit returns this year, as the global economy began its recovery from the 2020 Covid lockdowns, while the Federal Reserve maintained supportive measures first implemented at the onset of the pandemic.
- **Asian markets** ended mostly higher with Hong Kong stocks leading gains in the region. Chinese stocks closed higher as shares of tech saw big gains. Markets in Japan and South Korea were closed on Friday. **European stocks** fell amid thin trading volume on the last trading session of 2021.
- The **10-year benchmark treasury yield** inched higher to finish 2021 above the 1.5% threshold in a year marked by the Covid pandemic and Federal Reserve policy. **Dollar** slipped against major peers on Friday in quiet holiday trading.
- **Crude oil prices** fell on Friday but were set to post their biggest annual gains in 12 years, spurred by the global economic recovery from the Covid-19 slump and producer restraint. **Gold prices** rose tracking a weak dollar.
- **Domestic benchmark indices** surged on Friday, the last trading session of 2021, shrugging off concerns about the Omicron variant of COVID-19 among investors globally. Gains across sectors, led by financial, consumer, auto and metal shares, pushed the headline indices higher. Broader markets also strengthened, with the midcap and smallcap indices ending the day 1.4% higher each.
- **Rupee** edged higher as the US dollar index remained under pressure and as crude oil prices registered a decline on Friday. Year-end sales of dollars by banks on behalf of exporters also buoyed the domestic currency. **10-Year benchmark G-Sec yield** eased 2 bps tracking a decline in crude oil prices.

Table 1: Global Markets indicators

| | 30-12-2021 | 31-12-2021 | % / bps change |
|-------------------|------------|------------|----------------|
| Dow | 36,398 | 36,338 | -0.16 |
| NASDAQ | 15,742 | 15,645 | -0.61 |
| S & P 500 | 4,779 | 4,766 | -0.26 |
| Nikkei 225 | 28,792 | NA | NA |
| FTSE 100 | 7,403 | 7,385 | -0.25 |
| US 10-yr (%) | 1.51 | 1.51 | 0.40 bps |
| UK 10-yr (%) | 0.98 | 0.97 | -0.90 bps |
| Germany 10-yr (%) | -0.18 | NA | NA |
| Gold | 1,814 | 1,829 | 0.80 |
| Crude Oil (WTI) | 76.99 | 75.21 | -2.31 |
| Crude Oil (Brent) | 79.53 | 77.78 | -2.20 |
| \$/€* | 1.13 | 1.14 | 0.41 |
| ¥/\$* | 115.06 | 115.10 | 0.03 |
| \$/£* | 1.35 | 1.35 | 0.20 |

* (-) Appreciation/ (+) Depreciation; ^ with a day's lag
Source: CNN, WSJ, Bloomberg.

Table 4: Money Market view#

| | 30-12-2021 | 31-12-2021 |
|---|------------|------------|
| Avg. Call Rate (%) | 3.33 | 3.64 |
| Vol. Traded (Rs. Cr.) | 8,882 | 2,518 |
| MIBOR (overnight)^ | 3.69 | 3.59 |
| Net banking system liquidity outstanding | (6,99,270) | (6,72,908) |
| Daily liquidity injection (+) /absorption (-) # | (3,23,131) | (4,66,916) |
| T-Bills 91 days | 3.50 | 3.50 |
| 182 days | 3.77 | 3.92 |
| 364 days | 4.22 | 4.10 |
| G-Sec 3 years | 5.30 | 5.30 |
| 5 years | 5.82 | 5.79 |
| 10 years | 6.47 | 6.45 |

* + deficit/ - surplus (Net banking system liquidity outstanding = total repo + MSF + SLF - total reverse repo); #Daily liquidity injection (+) / absorption (-) = (Repo + MSF - Reverse Repo) auctioned on that day; ^pertains to 23rd and 24th December 2021; Source: RBI, RBI, CCIL.

Table 2: Domestic Market indicators

| | 30-12-2021 | 31-12-2021 | % change |
|-------------|------------|------------|----------|
| Sensex | 57,794 | 58,254 | 0.80 |
| NIFTY | 17,204 | 17,354 | 0.87 |
| BSE SME IPO | 16,020 | 16,672 | 4.07 |
| Rs/\$ | 74.42 | 74.33 | -0.11 |
| Rs/€ | 84.15 | 84.21 | 0.07 |

Source: BSE, NSE, Mint *(-) Appreciation/ (+) Depreciation.

Table 3: FPI and MFs investment flows

| US \$ Mn | Equity | | | Debt | | | Total (Net) ^ |
|--------------------------|----------|--------|---------|----------|--------|---------|---------------|
| | Purchase | Sale | Net | Purchase | Sale | Net | |
| Net FPI Flows (US \$ mn) | | | | | | | |
| Nov-21 | 26,650 | 27,440 | (790) | 2,971 | 2,507 | 464 | (329) |
| Dec-21* | 26,493 | 29,018 | (2,525) | 2,456 | 3,833 | (1,377) | (3,938) |
| 30-Dec-21 | 486 | 586 | (100) | 113 | 182 | (69) | (171) |
| 31-Dec-21 | 719 | 871 | (152) | 210 | 92 | 118 | (36) |
| MF Investments (Rs. Cr.) | | | | | | | |
| Dec-21# | 69,082 | 50,180 | 18,901 | 98,977 | 97,057 | 1,920 | 20,821 |

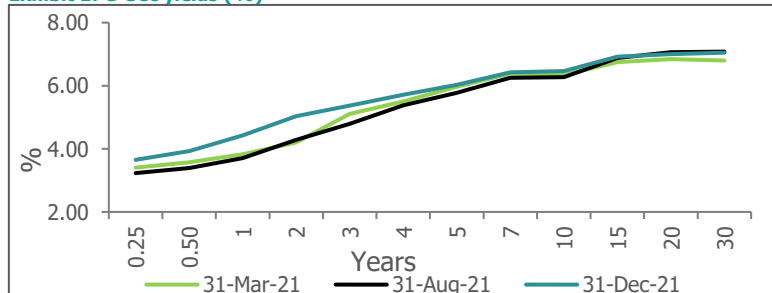
Source: NSDL, SEBI; *Latest data as of previous trading; #Data till December 22, 2021; ^Total (Net) of equity, debt & hybrid

Table 5: Corporate bond spreads over G-sec (%)*

| 10 Year | PSU, FIs & Banks | NBFCs | Corporates |
|---------|------------------|-------|------------|
| AAA | 0.38 | 0.56 | 0.41 |
| AA+ | 0.95 | 0.96 | 0.87 |
| AA | 1.25 | 1.31 | 1.16 |
| AA- | 1.70 | 1.66 | 1.56 |
| A+ | 2.70 | 3.66 | 3.06 |
| A | 2.95 | 3.91 | 3.31 |
| A- | 3.20 | 4.16 | 3.81 |
| BBB+ | 3.70 | 4.66 | 4.31 |
| BBB | 3.95 | 4.91 | 4.56 |
| BBB- | 4.45 | 5.41 | 5.06 |

Source: FIMMDA; *As on 30th December 2021

Exhibit 1: G-Sec yields (%)



Source: FIMMDA

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