

Daily DEBT Market Update

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Good Morning,

The market roundup for the global and domestic markets for Tuesday (January 04, 2022) is as follows:

- **US stocks** were mixed on Tuesday with the Dow Average hitting a new record while the Nasdaq and S&P 500 declined, weighed down by tech shares. A higher 10-year treasury yield triggered selling in growth-oriented technology stocks. Investors awaited the release of the Federal Reserve's minutes for further guidance.
- **Asian markets** were mostly higher after data showed accelerating Chinese factory activity growth in December. **European shares** hit a record high as the new year momentum continued in global markets. Airline and travel stocks were among the biggest gainers.
- The **10-year benchmark treasury yield** inched higher as market participants closely monitored soaring cases of the omicron Covid variant. **Dollar** gained against its major peers, boosted by expectations of US Federal Reserve rate hikes.
- **Crude oil prices** settled higher as investors expected OPEC+ producers meeting on output to stick with their planned increase for February based on indications that Omicron would have only a mild impact on demand. **Gold prices** rose as demand for the safe-haven metal was boosted by surge in Omicron cases.
- **Domestic benchmark indices** extended their gains during the second session of the new year as investors looked past the surging Covid cases and continued to bet on India's economic recovery. All sectors ended in green except metal and pharma.
- **Rupee** slumped against the US dollar, tracking the strength of the American currency in the overseas market. Growing concerns over the Omicron variant of coronavirus and its impact on economic recovery as well as firm crude oil prices weighed on the local unit. **10-Year benchmark G-Sec yield** rose sharply to a 24-month high of around 6.52% on account of inflationary concerns.

Table 1: Global Markets indicators

	03-01-2022	04-01-2022	% / bps change
Dow	36,585	36,800	0.59
NASDAQ	15,833	15,623	-1.33
S & P 500	4,797	4,794	-0.06
Nikkei 225	NA	29,302	NA
FTSE 100	NA	7,505	NA
US 10-yr (%)	1.63	1.65	2.20 bps
UK 10-yr (%)	0.97	1.09	11.60 bps
Germany 10-yr (%)	-0.12	-0.12	0.10 bps
Gold	1,800	1,815	0.81
Crude Oil (WTI)	76.08	76.99	1.20
Crude Oil (Brent)	78.98	80.00	1.29
\$/€*	1.13	1.13	-0.10
¥/\$*	115.32	116.13	0.70
\$/£*	1.35	1.35	0.35

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

Table 4: Money Market view#

	03-01-2022	04-01-2022
Avg. Call Rate (%)	3.29	3.28
Vol. Traded (Rs. Cr.)	8,811	8,619
MIBOR (overnight)^	3.51	3.58
Net banking system liquidity outstanding	(7,91,349)	(7,91,992)
Daily liquidity injection (+) /absorption (-) #	(4,61,064)	(3,86,718)
T-Bills 91 days	3.60	3.50
182 days	3.93	3.80
364 days	4.18	4.23
G-Sec 3 years	5.30	5.33
5 years	5.79	5.85
10 years	6.45	6.52

* + 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 27th and 28th December 2021; Source: RBI, RBI, CCIL.

Table 2: Domestic Market indicators

	03-01-2022	04-01-2022	% change
Sensex	59,183	59,856	1.14
NIFTY	17,626	17,805	1.02
BSE SME IPO	17,400	16,824	-3.31
Rs/\$	74.26	74.55	0.40
Rs/€	84.37	84.22	-0.17

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)							
Dec-21	26,493	29,018	(2,525)	2,456	3,833	(1,377)	(3,938)
Jan-22*	1,370	973	397	68	158	(90)	306
03-Jan-22	549	463	85	32	78	(47)	38
04-Jan-22	822	510	312	36	79	-43	268
MF Investments (Rs. Cr.)							
Dec-21#	69,082	50,180	18,901	98,977	97,057	1,920	20,821

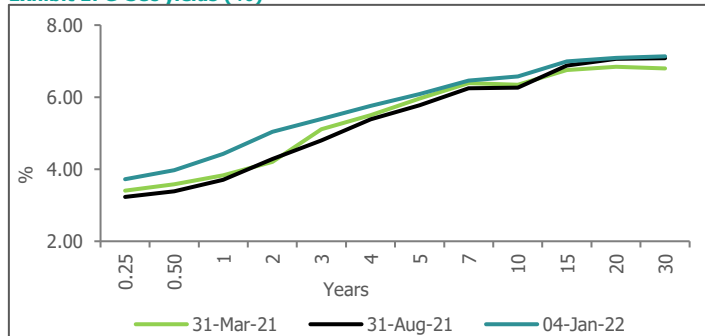
Source: NSDL, SEBI; *Latest data as of previous trading; #Data till December 22, 2021; ^Total (Net) of equity, debt & hybrid

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

	10 Year	PSU, FIs & Banks	NBFCs	Corporates
AAA		0.34	0.52	0.29
AA+		0.84	0.85	0.76
AA		1.15	1.24	1.08
AA-		1.59	1.59	1.49
A+		2.34	3.34	2.74
A		2.59	3.59	2.99
A-		2.84	3.84	3.49
BBB+		3.34	4.34	3.99
BBB		3.59	4.59	4.24
BBB-		4.09	5.09	4.74

Source: FIMMDA; *As on 03 January 2022

Exhibit 1: G-Sec yields (%)



Source: FIMMDA

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