

Daily DEBT Market Update

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Good Morning,

The market roundup for the global and domestic markets for **Wednesday (January 05, 2022)** is as follows:

- **US stocks** closed lower as the FOMC minutes signalled at sooner than expected interest rate hike amid persistent inflationary pressures. The soaring US Treasury yields continued to pressure the tech stocks.
- **Nikkei** extended rally led by gains in stocks linked to economic recovery while tech stocks came under selling pressure tracking a rise in US Treasury yields.
- **European stocks** closed higher, fuelled by gains in automobile stocks on hopes of strong sales in 2022. On the economic data front, the services PMI in European countries dipped in December'21 as the surge in coronavirus infections and resultant restrictions weighed on the service industry.
- The **10-year benchmark treasury yield** increased on earlier than anticipated interest rate hike by the Federal Reserve. **US Dollar** weakened against major currencies as investor risk appetite improved on the back of upbeat prospects for the US economy.
- **Crude oil prices** rose as data released by EIA showed a decline in US oil inventories. The OPEC+ in its meeting agreed to continue with the planned increase in oil production from February. Optimism over oil demand outlook amid market resilience to the Omicron variant of Covid-19 further supported the firm trend in oil prices. **Gold prices** rose tracking weakness in US Dollar.
- **Domestic benchmark indices** ended higher for the fourth straight session on the back of gains in auto, banking and metal stocks. However, the upside was capped by losses in IT stocks. The Services-PMI data showed that the activity in services sector slowed to a 3-month low in December'21 on account of persistent inflationary pressures and concerns over a new wave of Covid-19.
- **Rupee** gained against the US dollar tracking positive domestic equities and a weaker dollar index ahead of the FOMC minutes. The upside was limited owing to lingering concerns over the rising Covid-19 cases and elevated international crude oil prices. **10-Year benchmark G-Sec yield** remained elevated at a 2-year high of 6.51% owing to high inflation, firm crude oil prices, and rising US Treasury yields.

Table 1: Global Markets indicators

	04-01-2022	05-01-2022	% / bps change
Dow	36,800	36,407	-1.07
NASDAQ	15,623	15,100	-3.34
S & P 500	4,794	4,701	-1.94
Nikkei 225	29,302	29,332	0.10
FTSE 100	7,505	7,517	0.16
US 10-yr (%)	1.65	1.71	5.30 bps
UK 10-yr (%)	1.09	1.09	0.40 bps
Germany 10-yr (%)	-0.12	-0.12	-0.30 bps
Gold	1,815	1,825	0.58
Crude Oil (WTI)	76.99	77.85	1.12
Crude Oil (Brent)	80.00	80.80	1.00
\$/€*	1.13	1.13	0.23
¥/\$*	116.13	116.11	-0.02
\$/£*	1.35	1.36	0.20

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

Table 4: Money Market view#

	04-01-2022	05-01-2022
Avg. Call Rate (%)	3.28	3.21
Vol. Traded (Rs. Cr.)	8,619	6,943
MIBOR (overnight)^	3.58	3.5
Net banking system liquidity outstanding	(7,91,992)	(7,78,823)
Daily liquidity injection (+) /absorption (-) #	(3,86,718)	(1,73,528)
T-Bills 91 days	3.50	3.49
182 days	3.80	3.80
364 days	4.23	4.31
G-Sec 3 years	5.33	5.31
5 years	5.85	5.85
10 years	6.52	6.51

* + 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 28th and 29th December 2021; Source: RBI, FBI, CCIL.

Table 2: Domestic Market indicators

	04-01-2022	05-01-2022	% change
Sensex	59,856	60,223	0.61
NIFTY	17,805	17,925	0.67
BSE SME IPO	16,824	16,147	-4.03
Rs/\$	74.55	74.36	-0.25
Rs/€	84.22	84.07	-0.18

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*	2,145	1,566	579	214	582	(368)	210
04-Jan-22	822	510	312	36	79	(43)	268
05-Jan-22	775	593	182	146	424	(278)	(96)
MF Investments (Rs. Cr.)							
Dec-21#	69,082	50,180	18,901	98,977	97,057	1,920	20,821

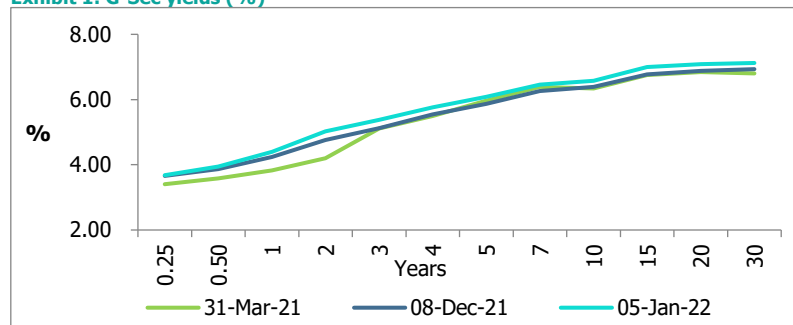
Source: NSDL, SEBI; *Latest data as of previous trading; #Data till December 22, 2021; ^Total (Net) of equity, debt & hybrid

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

10 Year	PSU, FIs & Banks	NBFCs	Corporates
AAA	0.27	0.50	0.29
AA+	0.77	0.85	0.76
AA	1.08	1.24	1.08
AA-	1.52	1.59	1.49
A+	2.27	3.34	2.74
A	2.52	3.59	2.99
A-	2.77	3.84	3.49
BBB+	3.27	4.34	3.99
BBB	3.52	4.59	4.24
BBB-	4.02	5.09	4.74

Source: FIMMDA; *As on 04 January 2022

Exhibit 1: G-Sec yields (%)



Source: FIMMDA

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