

# Daily DEBT Market Update



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January 7, 2022 | Economics

Good Morning,

The market roundup for the global and domestic markets for **Thursday (January 06, 2022)** is as follows:

- **Global equity markets (US, European and Japanese stocks)** ended lower as investors digested the FOMC minutes in which Fed officials discussed quicker interest rate hikes amid persistent inflationary pressures and improving labour market conditions. The surge in global covid-19 cases also dented the market sentiments.
- The rally in **10-year benchmark treasury yield** continued as investors digested prospects of sooner than anticipated interest rate hike by the Federal Reserve. **US Dollar** strengthened against Euro and Pound tracking an uptick in US Treasury yields following hawkish Fed minutes.
- **Crude oil prices** rallied on supply concerns owing to falling US stockpiles, deep-freeze in Canada and Northern U.S. and unrest in Kazakhstan. Meanwhile, optimism over oil demand outlook amid market resilience to the Omicron variant of Covid-19 continued to support the upward trend in oil prices. **Gold prices** fell tracking strength in US Dollar.
- **Domestic benchmark indices** snapped a four-day gaining streak to end in red amid lacklustre global cues after FOMC minutes signalled at quicker than previously anticipated tightening of monetary policy amid elevated US inflation levels. Concerns over the spike in coronavirus cases and imposition of fresh curbs also weighed on the market sentiments.
- **Rupee** weakened against the US dollar tracking negative domestic equities and firm US Dollar following hawkish signals from the Fed minutes. The elevated international crude oil prices and resurgence of Covid-19 cases also pressured the domestic currency. **10-Year benchmark G-Sec yield** scaled to a 2-year high of 6.53% tracking a rise in US Treasury yields on prospects of hawkish Fed in contrast to the accommodative monetary policy stance of the RBI.

**Table 1: Global Markets indicators**

	05-01-2022	06-01-2022	% / bps change
Dow	36,407	36,236	-0.47
NASDAQ	15,100	15,081	-0.13
S & P 500	4,701	4,696	-0.10
Nikkei 225	29,332	28,488	-2.88
FTSE 100	7,517	7,450	-0.88
US 10-yr (%)	1.71	1.72	1.80 bps
UK 10-yr (%)	1.09	1.16	7.00 bps
Germany 10-yr (%)	-0.12	-0.10	2.30 bps
Gold	1,825	1,789	-1.97
Crude Oil (WTI)	77.85	79.46	2.07
Crude Oil (Brent)	80.80	81.99	1.47
\$/€*	1.13	1.13	-0.12
¥/\$*	116.11	115.84	-0.23
\$/£*	1.36	1.35	-0.18

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

**Table 4: Money Market view#**

	05-01-2022	06-01-2022
Avg. Call Rate (%)	3.21	3.21
Vol. Traded (Rs. Cr.)	6,943	7,520
MIBOR (overnight)^	3.5	3.54
Net banking system liquidity outstanding	(7,78,823)	(7,42,243)
Daily liquidity injection (+) /absorption (-) #	(1,73,528)	(3,36,962)
T-Bills 91 days	3.49	3.51
182 days	3.80	3.97
364 days	4.31	4.32
G-Sec 3 years	5.31	5.33
5 years	5.85	5.88
10 years	6.51	6.53

\* + 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**

	05-01-2022	06-01-2022	% change
Sensex	60,223	59,602	-1.03
NIFTY	17,925	17,746	-1.00
BSE SME IPO	16,147	16,756	3.78
Rs/\$	74.36	74.50	0.19
Rs/€	84.07	84.21	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*	3,168	2,510	658	255	725	(469)	306
05-Jan-22	775	593	182	146	424	(278)	(96)
06-Jan-22	1,023	944	79	41	143	(102)	(23)
MF Investments (Rs. Cr.)							
Jan-22#	23,137	19,236	3,901	25,891	21,386	4,505	8,406

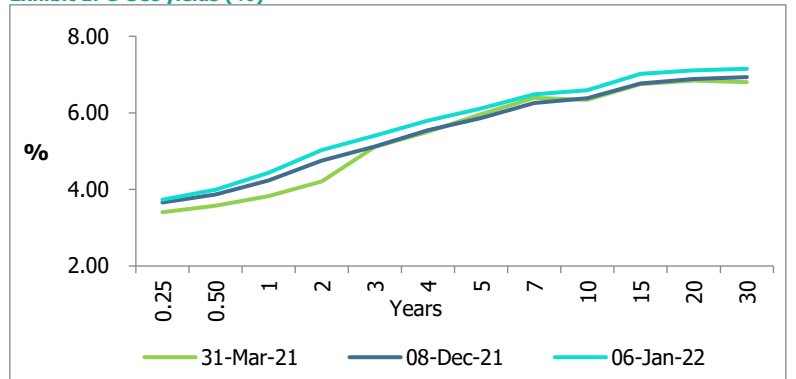
Source: NSDL, SEBI; \*Latest data as of previous trading; #Data till January 05, 2022; ^Total (Net) of equity, debt & hybrid

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

10 Year	PSU, FIs & Banks	NBFCs	Corporates
AAA	0.30	0.40	0.25
AA+	0.83	0.81	0.72
AA	1.14	1.20	1.04
AA-	1.58	1.55	1.45
A+	2.33	3.30	2.70
A	2.58	3.55	2.95
A-	2.83	3.80	3.45
BBB+	3.33	4.30	3.95
BBB	3.58	4.55	4.20
BBB-	4.08	5.05	4.70

Source: FIMMDA; \*As on 05 January 2022

**Exhibit 1: G-Sec yields (%)**



Source: FIMMDA

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