

Daily DEBT Market Update

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January 10, 2022 | Economics

Good Morning,

The market roundup for the global and domestic markets for **Friday (January 07, 2022)** is as follows:

- **US equity markets** were mixed (**Dow Jones** ended flat while **S&P** and **NASDAQ** ended lower) as the non-farm payrolls data strengthened the case for faster tightening by Federal Reserve. Data showed that the unemployment rate declined, and wages increased. However, defying market expectations, only 199,000 jobs were added in December.
- **European stocks** ended lower as Eurozone inflation scaled to a record high of 5% in December and economic sentiment fell to a seven-month low. **FTSE** ended higher led by gains in mining stocks. Meanwhile, mixed US jobs data added to Fed tapering concerns.
- **Nikkei** ended flat amid cautious trading by investors as they awaited the monthly US employment report. Investors avoided making large bets ahead of the three-day weekend in Japan. Surging bond yields pressured tech stocks while prospects of monetary tightening by the Fed boosted banking and financial stocks, energy stocks gained owing the elevated crude oil prices.
- The **10-year benchmark treasury yield** increased on prospects of sooner than anticipated tapering by the Fed. **US Dollar** weakened against major currencies following the mixed jobs data.
- **Crude oil prices** retreated as markets evaluated the supply concerns amid escalating unrest in Kazakhstan, deep-freeze in Canada and Northern U.S., and production drop in Libya against the surging coronavirus cases across countries and its implications on oil demand outlook. **Gold prices** rose as the US Dollar slipped following mixed non-farm payrolls data.
- **Domestic benchmark indices** ended a volatile session higher on Friday amid mixed global cues as investors awaited the crucial US jobs data. Growing concerns over the surge in Covid-19 cases and its implications for domestic economic recovery capped the market gains.
- **Rupee** gained against the US Dollar supported by a rebound in domestic equities and tracking strength in other Asian currencies. However, the uptrend in global crude oil prices and a fresh wave of Covid-19 cases limited the upside. **10-Year benchmark G-Sec yield** climbed to 6.54% tracking a rally in US Treasury yields following hawkish signals from Fed minutes.

Table 1: Global Markets indicators

	06-01-2022	07-01-2022	% / bps change
Dow	36,236	36,232	-0.01
NASDAQ	15,081	14,936	-0.96
S & P 500	4,696	4,677	-0.41
Nikkei 225	28,488	28,479	-0.03
FTSE 100	7,450	7,485	0.47
US 10-yr (%)	1.72	1.77	4.30 bps
UK 10-yr (%)	1.16	1.18	2.10 bps
Germany 10-yr (%)	-0.10	-0.04	5.90 bps
Gold	1,789	1,797	0.46
Crude Oil (WTI)	79.46	78.90	-0.70
Crude Oil (Brent)	81.99	81.75	-0.29
\$/€*	1.13	1.14	0.56
¥/\$*	115.84	115.53	-0.27
\$/£*	1.35	1.36	0.46

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

Table 4: Money Market view#

	06-01-2022	07-01-2022
Avg. Call Rate (%)	3.21	3.26
Vol. Traded (Rs. Cr.)	7,520	7,660
MIBOR (overnight)^	3.54	3.6
Net banking system liquidity outstanding	(7,42,243)	(6,97,343)
Daily liquidity injection (+) / absorption (-) #	(3,36,962)	(93,307)
T-Bills 91 days	3.51	3.55
182 days	3.97	4.00
364 days	4.32	4.32
G-Sec 3 years	5.33	5.34
5 years	5.88	5.91
10 years	6.53	6.54

* + 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 30th and 31st December 2021; Source: RBI, FBI, CCIL.

Table 2: Domestic Market indicators

	06-01-2022	07-01-2022	% change
Sensex	59,602	59,745	0.24
NIFTY	17,746	17,813	0.38
BSE SME IPO	16,756	17,448	4.13
Rs/\$	74.50	74.31	-0.26
Rs/€	84.21	84.08	-0.15

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*	4,056	3,626	430	621	785	(164)	306
06-Jan-22	1,023	944	79	41	143	(102)	(23)
07-Jan-22	888	1,116	(228)	366	60	306	78
MF Investments (Rs. Cr.)							
Jan-22#	23,137	19,236	3,901	25,891	21,386	4,505	8,406

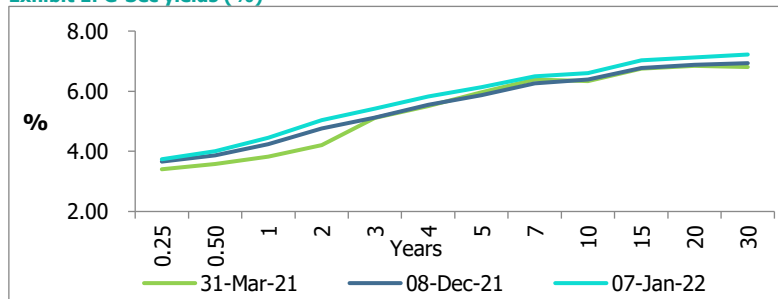
Source: NSDL, SEBI; *Latest data as of previous trading; #Data till January 05, 2022; ^Total (Net) of equity, debt & hybrid

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

10 Year	PSU, FIs & Banks	NBFCs	Corporates
AAA	0.20	0.47	0.32
AA+	0.82	0.88	0.79
AA	1.13	1.27	1.11
AA-	1.57	1.62	1.52
A+	2.32	3.37	2.77
A	2.57	3.62	3.02
A-	2.82	3.87	3.52
BBB+	3.32	4.37	4.02
BBB	3.57	4.62	4.27
BBB-	4.07	5.12	4.77

Source: FIMMDA; *As on 06 January 2022

Exhibit 1: G-Sec yields (%)



Source: FIMMDA

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