

Daily DEBT Market Update

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January 11, 2022 | Economics

Good Morning,

The market roundup for the global and domestic markets for **Monday (January 10, 2022)** is as follows:

- **US equity markets** were mixed (**Dow Jones** and **S&P** ended lower while **NASDAQ** ended on a flat note) and **European stocks** ended lower on tapering concerns amid elevated inflation levels. Investors will closely watch the US inflation data due during the week for further guidance on the timeline for interest rate hike by the Fed. On the economic data front, unemployment in Eurozone declined to 7.2% in November'21.
- **Japanese equity markets** remained closed on account of a public holiday.
- The **10-year benchmark treasury yield** fell less than a basis point ahead of the US inflation data and testimony from Fed Chair Jerome Powell. **US Dollar** strengthened against Euro and Pound as investors are stepping up bets that Fed will raise interest rates sooner than anticipated.
- **Crude oil prices** extended losses as rapid spread of Omicron infections dented the oil demand outlook. Meanwhile, supply concerns eased as production resumed in Kazakhstan and Libya. **Gold prices** rose marginally despite strength in US Dollar.
- **Domestic benchmark indices** extended gains to end at the highest level in nearly two months despite mixed cues from the global equity markets. The positive momentum has been fuelled by expectations of a strong earnings season. Data on inflation, industrial output and Q3 results are expected to be the driving force in moving the markets this week.
- **Rupee** appreciated against the US Dollar supported by a positive trend in domestic equities and foreign fund inflows. **10-Year benchmark G-Sec yield** climbed to 6.59% as US Treasury yields remained at elevated levels on prospects of hawkish Fed in contrast to the accommodative monetary policy stance of the RBI.

Table 1: Global Markets indicators

	07-01-2022	10-01-2022	% / bps change
Dow	36,232	36,069	-0.45
NASDAQ	14,936	14,943	0.05
S & P 500	4,677	4,670	-0.14
Nikkei 225	28,479	NA	NA
FTSE 100	7,485	7,445	-0.53
US 10-yr (%)	1.77	1.77	-0.10 bps
UK 10-yr (%)	1.18	1.19	0.70 bps
Germany 10-yr (%)	-0.04	-0.03	0.80 bps
Gold	1,797	1,799	0.08
Crude Oil (WTI)	78.90	78.23	-0.85
Crude Oil (Brent)	81.75	80.87	-1.08
\$/€*	1.14	1.13	-0.32
¥/\$*	115.53	115.19	-0.29
\$/£*	1.36	1.36	-0.13

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

Table 4: Money Market view#

	07-01-2022	10-01-2022
Avg. Call Rate (%)	3.26	3.31
Vol. Traded (Rs. Cr.)	7,660	9,608
MIBOR (overnight)^	3.6	3.49
Net banking system liquidity outstanding	(6,97,343)	(6,63,787)
Daily liquidity injection (+) /absorption (-) #	(93,307)	(2,58,506)
T-Bills 91 days	3.55	3.55
182 days	4.00	3.81
364 days	4.32	4.33
G-Sec 3 years	5.34	5.37
5 years	5.91	5.95
10 years	6.54	6.59

* + 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 31st December 2021 & 3rd January 2022; Source: RBI, FDI, CCIL.

Table 2: Domestic Market indicators

	07-01-2022	10-01-2022	% change
Sensex	59,745	60,396	1.09
NIFTY	17,813	18,003	1.07
BSE SME IPO	17,448	18,277	4.76
Rs/\$	74.31	74.04	-0.36
Rs/€	84.08	83.85	-0.27

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*	5,156	4,659	497	716	863	(147)	306
07-Jan-22	888	1,116	(228)	366	60	306	78
10-Jan-22	1,100	1,033	66	95	78	17	84
MF Investments (Rs. Cr.)							
Jan-22#	23,137	19,236	3,901	25,891	21,386	4,505	8,406

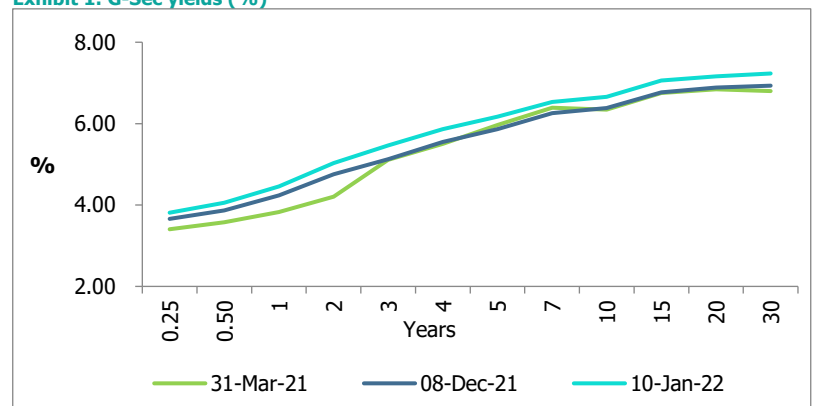
Source: NSDL, SEBI; *Latest data as of previous trading; #Data till January 05, 2022; ^Total (Net) of equity, debt & hybrid

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

10 Year	PSU, FIs & Banks	NBFCs	Corporates
AAA	0.29	0.50	0.27
AA+	0.77	0.83	0.74
AA	1.08	1.22	1.06
AA-	1.52	1.57	1.47
A+	2.27	3.32	2.72
A	2.52	3.57	2.97
A-	2.77	3.82	3.47
BBB+	3.27	4.32	3.97
BBB	3.52	4.57	4.22
BBB-	4.02	5.07	4.72

Source: FIMMDA; *As on 07 January 2022

Exhibit 1: G-Sec yields (%)



Source: FIMMDA

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