

Daily DEBT Market Update



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January 17, 2022 | Economics

Good Morning,

The market roundup for the global and domestic markets for **Friday (January 14, 2022)** is as follows:

- **US equity markets** ended mixed as **NASDAQ** and **S&P** ended higher while **Dow Jones** fell led by losses in banking stocks following mixed earnings reports from major banks. Investor sentiments were dampened by disappointing industrial output and retail sales data adding to concerns over the economic impact of fast spreading Omicron variant and persistent inflation in the economy.
- **Nikkei & FTSE** ended lower as investors digested the prospects of sooner than expected interest rate hikes by Federal Reserve following the latest US inflation reading. On the economic data front, UK economic growth witnessed a stronger than expected acceleration in November'21. Japanese tech stocks followed their U.S. peers lower.
- The **10-year benchmark treasury yield** rose, and **US Dollar** strengthened against major currencies on prospects of tapering by the Federal Reserve amid high US inflation.
- **Crude oil prices** climbed on tight supply amid declining US crude stockpiles which more than offset the demand concerns as Covid-19 cases continued to rise. **Gold prices** slipped tracking a stronger American currency and rising US Treasury yields.
- **Domestic benchmark indices** ended flat on Friday tracking weakness in the global equity markets. Hawkish policy stance by Fed officials in order to restrict the rising inflation levels weighed on the market sentiments.
- **Rupee** weakened against the US Dollar tracking muted trend in domestic equities and foreign fund outflows. Rising global crude oil prices and hawkish signals from Fed officials also added pressure on the domestic currency. **10-Year benchmark G-Sec yield** hardened by 2 basis points to 6.58% on expectations of early monetary policy tightening by Central banks, persistent inflationary pressures and increased uncertainty with the fresh surge in Covid-19 infections.

Table 1: Global Markets indicators

	13-01-2022	14-01-2022	% / bps change
Dow	36,114	35,912	-0.56
NASDAQ	14,807	14,894	0.59
S & P 500	4,659	4,663	0.08
Nikkei 225	28,489	28,124	-1.28
FTSE 100	7,564	7,543	-0.28
US 10-yr (%)	1.70	1.79	8.90 bps
UK 10-yr (%)	1.11	1.15	4.50 bps
Germany 10-yr (%)	-0.09	-0.05	4.30 bps
Gold	1,821	1,817	-0.27
Crude Oil (WTI)	82.12	83.82	2.07
Crude Oil (Brent)	84.47	86.06	1.88
\$/€*	1.15	1.14	-0.34
¥/\$*	114.17	114.19	0.02
\$/£*	1.37	1.37	-0.20

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

Table 4: Money Market view#

	13-01-2022	14-01-2022
Avg. Call Rate (%)	3.28	3.35
Vol. Traded (Rs. Cr.)	9,455	1,846
MIBOR (overnight)^	3.41	3.45
Net banking system liquidity outstanding	(6,67,499)	(6,19,633)
Daily liquidity injection (+) / absorption (-) #	(2,87,197)	(5,09,353)
T-Bills 91 days	3.35	3.35
182 days	3.99	3.90
364 days	4.36	4.35
G-Sec 3 years	5.31	5.30
5 years	5.87	5.88
10 years	6.56	6.58

* + 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 6th & 7th January 2022; Source: RBI, FBI, CCIL.

Table 2: Domestic Market indicators

	13-01-2022	14-01-2022	% change
Sensex	61,235	61,223	-0.02
NIFTY	18,258	18,256	-0.01
BSE SME IPO	17,434	18,104	3.84
Rs/\$	73.89	74.15	0.35
Rs/€	84.83	84.97	0.16

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*	9,041	8,793	248	1,374	1,438	(64)	420
13-Jan-22	967	1,065	(98)	214	207	7	(92)
14-Jan-22	1,011	1,197	(185)	196	71	125	(60)
MF Investments (Rs. Cr.)							
Jan-22#	41,185	36,577	4,609	43,891	38,215	5,675	10,284

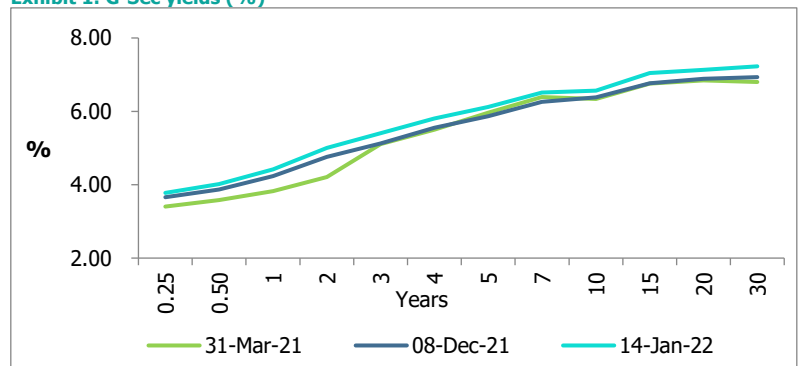
Source: NSDL, SEBI; *Latest data as of previous trading; #Data till January 11, 2022; ^Total (Net) of equity, debt & hybrid

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

	10 Year	PSU, FIs & Banks	NBFCs	Corporates
AAA		0.39	0.42	0.23
AA+		0.84	0.79	0.70
AA		1.15	1.18	1.02
AA-		1.59	1.53	1.43
A+		2.34	3.28	2.68
A		2.59	3.53	2.93
A-		2.84	3.78	3.43
BBB+		3.34	4.28	3.93
BBB		3.59	4.53	4.18
BBB-		4.09	5.03	4.68

Source: FIMMDA; *As on 13 January 2022

Exhibit 1: G-Sec yields (%)



Source: FIMMDA

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