

Key Developments:

- **Democrats won control of the U.S. Senate for the first time in six years with victories in two runoff races in Georgia - a stunning result in a state that has not sent a new Democratic senator to Washington in the past two decades. Jon Ossoff unseated incumbent Republican David Perdue and Raphael Warnock defeated appointed GOP Senator Kelly Loeffler in Tuesday's special election, according to the Associated Press.**
- **The Federal Open Market Committee issued guidance it would continue purchases of bonds at least at its current pace until the economic recovery has made "substantial further progress." The Federal Reserve was nearly unanimous in its decision last month to leave its bond-buying program unchanged, but left a wide berth for officials to decide in the future if and when changes should be made, according to minutes of the U.S. central bank's December policy meeting.**
- **The European Commission on Wednesday authorized Moderna's coronavirus vaccine for use in the European Union.**
- **President-elect Joe Biden will name federal appeals court Judge Merrick Garland to be his attorney general. Former President Barack Obama nominated Garland to the Supreme Court, but his nomination was blocked by the Republican Senate, which refused to even hold hearings for the judge.**
- **Centre will provide an additional INR 10.04 bn to Madhya Pradesh and Andhra Pradesh for capital expenditure, as these states have completed reforms related to 'One Nation, One Ration Card', ease of doing business, and urban local bodies.**
- **Hong Kong police have arrested an American lawyer under the city's national security law, according to multiple sources, hours after authorities arrested dozens of pro-democracy activists as part of a sweeping crackdown.**

Global Market Developments:

- **JN:** Japan consumer confidence index fell to 31.8 in December from 33.7 in November, worse than 32.3 expected.
- **GE:** German Markit Services PMI increased to 47 in December from 46 in November, worse than 47.5 expected. German CPI remained at a deflation of -0.3% YoY in December same as previous month as per expectations.
- **EC:** Markit Eurozone Services PMI rose to 46.4 in December from 41.7 in November, worse than 47.3 expected.
- **UK:** Markit Services PMI increase to 49.4 in December from 47.6 in November, moderately less than 49.9 expected.
- **US:** ADP employment change fell to -123K in December from 304K in November, worse than 88K expected. Markit US services PMI fell to 54.8 in December from 58.4 in November, worse the 55.3 expected.
- **US stock markets ended higher in the previous trading.** The S&P 500 (+0.57%) and Dow Jones (+1.44%) ended in the green.
- **Asian stock markets are trading largely higher this morning.** Shanghai Composite Index (+0.18%), Nikkei (+2.03%), Kospi (+2.15%), and Australia ASX-200 (+1.80%) are trading in the green while Hang Seng (-0.05%) is trading in the red.
- **US treasuries are trading flat this morning.** The 10 Y US yield is trading at 1.041% vs the previous close of 1.042%.

Domestic market developments:

- **Indian Rupee closed higher at the 73.11 level against the US dollar in the previous trading session.**
- **Indian bonds closed lower with the yield on the 5.85% benchmark 10-year sovereign bond at the 5.85% in the previous trading session.**
- **India Markit services PMI fell to 52.3 in December from 53.7 in November, worse than 54 expected.**

	Remarks
DXY	The U.S. dollar (DXY) is trading 0.09% higher at 89.43 level as the Democrats appear to have taken the Senate resulting in a 'Blue Wave' scenario. Global economic indicators remain fairly robust that is in turn working to limit sharp upside in the USD. The FOMC minutes also showed that the central bank will maintain a fairly accommodative stance and could consider lengthening the maturity profile of its asset purchases program. We expect the DXY to trade in sync with global risk sentiment.
EUR/USD	The EUR/USD pair is trading flat in today's session at 1.2320 level. The pair lost ground with risk sentiments weakening pushing anti-risk US dollar higher. On the data-front, the focus will be on the German Consumer Price Index for December. Euro-zone PMI Services showed an improving trend but still remains in contractionary territory indicating that local growth still remains fairly weak.
GBP/USD	The GBP/USD pair is trading flat in today's session at 1.3613 level as US dollar inched higher amid the Georgia Senate election results. Lockdown concerns are posing downside risk to the pair. Going ahead, BOE's head Andrew Bailey's testimony will be eyed for his messaging on the state of the economy in particular the full-effects of 'Brexit'.
USD/JPY	The USD/JPY is trading 0.15% higher at 103.20 level reflecting an improved global equity market performance. We see more ranged trading even as the Japanese government is poised to announce a lockdown in Tokyo for about a month or so.
USD/CNY	The USD/CNY pair is trading marginally lower in today's session at 6.4597 level by 0.03%. The New York Stock Exchange said on Wednesday it will delist three Chinese telecom companies, further increasing US-China trade tensions. However, investors will wait to see how the incoming US President responds to China before fresh positions are taken. The PBOC sets USD/ CNY reference rate for today at 6.4608.
AUD/USD	The pair is trading lower in today's session at 0.7798 level by 0.04%. Australia trade balance for November came out at a surplus of AUD +5.022 bn (expected AUD 6.45 bn surplus). Australian PM says COVID-19 vaccination program will begin in "mid to late February" as against the prior scheduling in early March. Pfizer vaccine is likely to be approved by Therapeutic Goods Administration late in January and the AstraZeneca/Oxford in February.
USD/CAD	The USD/CAD pair is trading marginally lower in today's session at 1.2672 level by 0.02%. The Canadian dollar was little changed against its U.S. counterpart on Wednesday, pulling back from a near three-year high hit earlier in the day as investors took some profits and protests in Washington crimped risk appetite.
Indian Equities	Benchmark equity indices are expected to trade in the green and take cues from global markets reacting to the outcome of the run-off elections in Georgia, a slew of economic data in the US and minutes of the Federal Open Market Committee meeting. However, markets remain concerned over the resurgence in coronavirus cases even as the underlying optimism over vaccine approvals and corporate earnings may fuel the uptick.
Indian Rupee	The Indian Rupee may open steady against the Dollar today taking cues from movement in the dollar index in response to the runoff vote in the state of Georgia in the US, and take directions from movement in domestic equity indices during the day. Persistent RBI intervention will work to limit any sharp upside in the Rupee.
India G-Sec	Government bond prices may open steady on today as market participants remain cautious ahead of the outcome of RBIs special OMO on Thursday. However, some adverse response to the rise in US treasury yields and global treasury yields could work to as a bearish factor in today's trading session.
Oil (Brent) (USD/bbl)	Global crude oil prices are trading higher after supporter of President Donald Trump stormed into the US Capitol, with investors focusing on the likelihood of tighter supplies after Saudi Arabia unilaterally agreed to cut output. US crude oil inventories decreased by 8 mn barrels last week, better than expectations, supporting further rise in crude oil prices. Brent crude prices are trading at USD 54.55/bbl.
Gold (USD/oz)	Gold prices are trading lower weighed down by a rebound in the dollar and surge in US Treasury yield as Democrats completed a sweep of the two U.S. Senate seats up for grabs in runoff elections in the state of Georgia, giving the party control of the US Congress and boosting the prospects for further stimulus. Gold is trading at USD 1918.20/oz.

ICICI Bank: ICICI Bank Towers, Bandra Kurla Complex, Mumbai- 400 051. Phone: (+91-22) 2653-1414

Economic Research Group

Economics Research

Shivom Chakravarti	Senior Economist—Global Markets	(+91-22) 4008-1414 (ext 6273)	shivom.chakravarti@icicibank.com
Anushri Bansal	Senior Economist—Domestic Markets	(+91-22) 4008-1414 (ext 6220)	anushri.bansal@icicibank.com
Sumedha Dasgupta	Economist	(+91-22) 2653-1414 (ext. 7243)	sumedha.dasgupta@icicibank.com
Aniket Gaikwad	Research Analyst	(+91-22) 2653-1414 (ext. 8161)	aniket.gaikwad@icicibank.com
Kaushal Aryan	Research Analyst	(+91-22) 2653-1414 (ext. 7249)	kaushalkumar.aryan@icicibank.com
Asha Sasikumar	Research Analyst	(+91-22) 2653-1414 (ext. 7249)	asha.sasikumar@icicibank.com
Jyoti Sharma	Research Analyst	(+91-22) 2653-1414 (ext. 7249)	sharma.jyoti@icicibank.com
Tanisha Ladha	Research Analyst	(+91-22) 2653-1414 (ext. 7309)	tanisha.ladha@icicibank.com
Nihal Kumar	Research Analyst	(+91-22) 2653-1414 (ext. 7309)	nihal.kumar@icicibank.com

Treasury Desks

Treasury Sales	(+91-22) 6188-5000	Currency Desk	(+91-22) 2652-3228-33
Gsec Desk	(+91-22) 2653-1001-05	FX Derivatives	(+91-22) 2653-8941/43
Interest Rate Derivatives	(+91-22) 2653-1011-15	Commodities Desk	(+91-22) 2653-1037-42
Corporate Bond	(+91-22) 2653-7242		

Disclaimer

Any information in this email should not be construed as an offer, invitation, solicitation, solution or advice of any kind to buy or sell any financial products or services offered by ICICI Bank, unless specifically stated so. ICICI Bank is not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You may consider asking advice from your advisers in making this assessment. No part of this report may be copied or redistributed by any recipient for any purpose without ICICI's prior written consent.

Disclaimer for US/UK/Belgium/Canada residents

This document is issued solely by ICICI Bank Limited ("ICICI"). The material in this document is derived from sources ICICI believes to be reliable but which have not been independently verified. In preparing this document, ICICI has relied upon and assumed, the accuracy and completeness of all information available from public sources. ICICI makes no guarantee of the accuracy and completeness of factual or analytical data and is not responsible for errors of transmission or reception. The opinions contained in such material constitute the judgment of ICICI in relation to the matters which are the subject of such material as at the date of its publication, all of which are expressed without any responsibility on ICICI's part and are subject to change without notice. ICICI has no duty to update this document, the opinions, factual or analytical data contained herein. The information and opinions in such material are given by ICICI as part of its internal research activity and not as manager of or adviser in relation to any assets or investments and no consideration has been given to the particular needs of any recipient.

Except for the historical information contained herein, statements in this document, which contain words or phrases such as 'will', 'would', etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/purchase or as an invitation or solicitation to do so for any securities or financial products of any entity. ICICI Bank and/or its Affiliates, ("ICICI Group") make no representation as to the accuracy, completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. ICICI Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render ICICI Group liable in any manner whatsoever & ICICI Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time. This document is intended for distribution solely to customers of ICICI. No part of this report may be copied or redistributed by any recipient for any purpose without ICICI's prior written consent. If the reader of this message is not the intended recipient and has received this transmission in error, please immediately notify ICICI Economic Research Group, E-mail: trg@icicibank.com or by telephone at +91-22-2653-7233 and please delete this message from your system.

DISCLAIMER FOR DUBAI INTERNATIONAL FINANCIAL CENTRE ("DIFC") CLIENTS:

This marketing material is distributed by ICICI Bank Limited, Dubai International Financial Centre (DIFC) Branch, a category 1 Authorized Firm and regulated by the Dubai Financial Services Authority and located at Central Park Building, Office Tower 27-31, Level 27, DIFC, P.O. Box 506529, Dubai, U.A.E.

This marketing material is intended to be issued, distributed and/or offered to a limited number of investors who qualify as 'Professional Clients' pursuant to Rule 2.3.3 of the DFSA Conduct of Business Rulebook, or where applicable a Market Counterparty only, and should not be referred to or relied upon by Retail Clients and must not be relied upon by any person other than the original recipients and/or reproduced or used for any other purpose. 'Professional Clients' as defined by DFSA need to have net assets of USD 1,000,000/- and have sufficient experience and understanding of relevant financial markets, products or transactions and any associated risks.

The DFSA has no responsibility for reviewing or verifying any marketing material or other third party investment documents in connection with the marketing material / report. Accordingly, the DFSA has not approved the marketing material or third party investment documents nor taken any steps to verify the information set out in the same, and has no responsibility for it.

The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities.

If you do not understand the contents of this document you should consult an authorised financial adviser."

DISCLOSURE FOR RESIDENTS IN THE UNITED ARAB EMIRATES ("UAE"):

This document is for personal use only and shall in no way be construed as a general offer for the sale of Products to the public in the UAE, or as an attempt to conduct business, as a financial institution or otherwise, in the UAE. Investors should note that any products mentioned in this document, any offering material related thereto and any interests therein have not been approved or licensed by the UAE Central Bank or by any other relevant licensing authority in the UAE, and they do not constitute a public offer of products in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

DISCLOSURE FOR RESIDENTS IN HONGKONG

This document has been issued by ICICI Bank Limited ("ICICI") in the conduct of its Hong Kong regulated business for the information of its institutional and professional investor (as defined by Securities and Future Ordinance (Chapter 571)) customers; it is not intended for and should not be distributed to retail or individual investors in Hong Kong. ICICI Bank Limited, India is regulated by the Reserve Bank of India. ICICI Bank Limited, Hong Kong branch is regulated by the Hong Kong Monetary Authority. The information contained in this document is intended for the exclusive use of the intended recipient and may contain proprietary, confidential or legally privileged information. Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons distributing this presentation must satisfy themselves that it is lawful to do so.

Nothing contained in this document shall constitute or be deemed to constitute an offer to sell/purchase or as an invitation or solicitation to do so for any securities of any entity. ICICI has based this document on information obtained from sources it believes to be reliable, but which it has not independently verified. ICICI makes no representation as to the accuracy, completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. ICICI (including its affiliates, and related corporations) do not provide any financial advice, and is not your fiduciary or agent, in relation to the securities. The contents of this document do not take into account your personal circumstances. Before entering into any transaction, you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction and should seek your own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities.

ICICI and/or its affiliates and/or their directors, officers, associates, connected parties and/or employees, may have, or have had, interests in the securities (or any related securities) and may from time to time add to or dispose of, or may be materially interested in, any such securities. Furthermore, ICICI may, but shall be under no obligation to, make a market or provide quotes in relation to the securities (or any related securities). ICICI and/or its affiliates may have, or have had, other business relationships (including lending or participating or investing in other financing transactions or other commercial banking or investment banking or other relations) with the issuer and/or guarantor (if any) of the securities or any other person connected with the securities and may from time to time seek to provide financing or other commercial banking or investment banking or other services to such persons.

ICICI Bank and/or its affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, ICICI Bank and/or its affiliates may make or hold (on its own account, on behalf of clients or in its capacity of investment adviser) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of its clients and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the issuer or its affiliates or of other entities, and may be entered into at the same time or proximate to offers and sales of securities or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of securities or other clients of ICICI Bank or its affiliates. As a result, you should be aware that a conflict of interest may exist. In accordance with the regulatory requirements and its own conflicts of interest policies, ICICI Bank has in place arrangements to manage conflicts of interest that arise between itself and its clients and between its different clients. Where it does not consider that the arrangements under its conflicts of interest policies are sufficient to manage a particular conflict, it will inform you of the nature of the conflict so that you can decide how to proceed.

DISCLOSURE FOR RESIDENTS IN SINGAPORE

The information contained in this e-mail and/or any attachments thereto are intended for the exclusive use of the intended recipient and may contain proprietary, confidential or legally privileged information. If you are not the intended recipient, please note that you are not authorised to disseminate, distribute or copy this e-mail or any parts of it or act upon/rely on the contents of this e-mail and/or attachments in any manner. Please notify the sender immediately by e-mail and destroy all copies of this e-mail and any attachments.

The contents of this e-mail and/or attachments do not take into account your personal circumstances. You must accordingly make their own independent evaluation of the information contained herein and of the securities and consider your own investment objective, financial situation and particular needs and seek your own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities. ICICI Bank Limited (including its affiliates, and related corporations) (ICICI) do not provide any financial advice, and is not your fiduciary or agent, in relation to the securities.

Please also note that ICICI is unable to exercise control or ensure or guarantee the integrity of/over the contents of the information contained in e-mail transmissions and / or attachments and that any views expressed in this e-mail and / or attachments are not endorsed by/binding on ICICI. Before opening any attachments please check them for viruses and defects and please note that ICICI accepts no liability or responsibility for any damage caused by any virus that may be transmitted by this email and/or attachments thereto.