

MACRO DAILY

01 October 2021

Macro developments

- Centre's fiscal deficit inched up to 6.5% of GDP in Aug'21 (12MMA basis) from 6.2% in Jul'21, as government spending picked up pace. Overall expenditure was up by 2.3% in Aug'21 (FYTD basis) compared with 4.7% decline in Jul'21. Sharp increase was visible in capex growth (up 27.8% in Aug'21 versus 14.8% in Jul'21). Revenue spending is also seen recovering (0.8% decline versus 7% decline). Over a 2-year horizon, direct tax collections in Aug'21 were up by 33% versus 29% in Jul'21 and indirect tax collections were up by 28% versus 21%.
- India's eight core industries clocked double digit growth and rose to a 3-month high of 11.6% in Sep'21 from 9.9% in Aug'21 on a favourable base. This was led by improvement in output of cement (36.3% from 21.7% in Aug'21), electricity (15.3% from 11% in Aug'21), refinery products (9.1% from 6.7% in Aug'21) and coal (20.6%). Steel output moderated marginally by 5.1% and fertilizers output contracted by 3.1% (+0.5% in Aug'21). Over a 2-year horizon, core sector registered growth of 3.9% in Aug'21, thus signalling gradual revival.
- US GDP for Q2CY21 was revised upward to 6.7% from 6.6% earlier. This was on account of upward revision in personal consumption expenditure, exports, and private inventory investment. In a separate print, US jobless claims rose for the third straight week by 11k to 362k for the week ending 25 Sep 2021, against its previous week's level. This was led by California as it announced on 17 Sep another Pandemic Emergency Unemployment Compensation program.

Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 3bps (1.49%) as jobless claims print continued to inch up. UK's 10Y yield rose by 3bps (1.02%) as its GDP rose more than its initial estimate (5.5% versus 4.8%). Crude prices fell by 0.2% (US\$ 79/bbl) as OPEC+ is expected to boost supply. India's 10Y yield rose by 2bps (6.22%) as RBI has set lower than expected cut-off price at its gilt purchase under G-SAP. It is trading at 6.23% today.
- Currency:** Except EUR and INR (lower), other global currencies closed higher against the dollar. After rising for four consecutive sessions, DXY fell by 0.1% as US jobless claims rose for the third straight week. AUD rose the most by 0.7% followed by JPY at 0.6%. INR fell by 0.1%. It is trading further lower today while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp, other global indices ended lower. Dow (1.6%) dropped the most led by subdued data print (US jobless claims). Dax fell by 0.7% as investors monitored German elections. Sensex (0.5%) too ended in red led by losses in banking and metal stocks. It is trading lower today while major Asian indices remained closed.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.49	(3)	6	21	3	81
UK	1.02	3	12	44	29	79
Japan	0.07	(1)	3	5	3	6
Germany	(0.20)	1	6	24	0	34
India ^{AA}	6.22	2	8	0	18	23
China	2.88	1	2	2	(22)	(27)
2Y yields (Δ bps)						
US	0.28	(1)	1	7	2	15
UK	0.41	0	2	29	34	45
Japan	(0.12)	0	(1)	(2)	(1)	0
Germany	(0.69)	0	0	5	(2)	2
India ^A	4.23	9	11	12	(54)	(14)
China	2.32	0	1	7	2	(28)
Currencies (Δ %)						
EUR	1.1580	(0.2)	(1.4)	(1.8)	(2.3)	(1.4)
GBP	1.3474	0.4	(1.8)	(2.1)	(2.1)	4.5
JPY	111.29	0.6	(0.9)	(1.2)	0.2	(5.5)
AUD	0.7227	0.7	(0.9)	(0.9)	(3.3)	0.6
INR	74.24	(0.1)	(0.8)	(1.3)	0.4	(1.5)
CNY	6.4448	0.4	0.2	0.3	0.4	5.1
Equity & Other indices (Δ %)						
Dow	33,844	(1.6)	(2.6)	(4.4)	(2.3)	21.7
FTSE	7,086	(0.3)	0.1	(0.9)	(0.5)	20.5
DAX	15,261	(0.7)	(2.5)	(3.9)	(2.2)	19.9
NIKKEI	29,453	(0.3)	(0.6)	6.0	2.6	27.0
Shanghai Comp	3,568	0.9	(2.0)	1.1	(0.6)	10.9
SENSEX	59,126	(0.5)	(1.3)	3.9	13.0	52.8
Brent (US\$/bbl)	78.52	(0.2)	1.6	7.0	3.5	91.8
Gold (US\$/oz)	1,757	1.8	0.8	(2.9)	(1.1)	(7.8)
CRB Index	553.7	(0.5)	0.5	(1.2)	(0.1)	37.0
Rogers Agri Index	1,102.4	0.8	2.2	2.0	4.0	46.0
LIBOR (3M)*	0.13	0	0	1	(1)	(10)
INR 5Y Swap*	5.78	(1)	6	6	8	36
India FII data (US\$ mn)						
	29 Sep	28 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(35.0)	7.3	588.7	1,522.0	108.1	2,135.4
FII-Equity	181.2	(254.5)	(130.2)	1,407.7	8,798.2	1,471.9

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | **6.10GS2031, ^ 4.26GS2023 security

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