

MACRO DAILY

07 October 2021

Macro developments

- World Bank has left India's growth forecast for FY22 and FY23 unchanged (Jun'21 forecast) at 8.3% and 7.5% respectively. It notes that manufacturing output is likely to benefit from the PLI scheme and public investment. This bodes well for demand. As such, growth is expected to stabilize ~7% from FY23 onwards supported by structural reforms and infrastructure investment. On the other hand, deterioration in asset quality, sluggish recovery of informal sector and higher than expected inflation remain key downside risks to the outlook.
- Germany's factory orders declined sharply by 7.7% in Aug'21 compared with an increase of 4.9% in Jul'21 on a MoM basis. This was led by falling new orders in manufacture of motor vehicles, trailers, and semi trailers (12%) and manufacture of basic metals (9.6%). Both domestic and foreign orders were down by 5.2% and 9.5% respectively in Aug'21. New orders for both intermediate (2.8%) and capital goods (11.1%) also registered a dip.
- Retail trade volume in both the Euro Area and EU rose by 0.3% each in Aug'21 (MoM basis) against contraction of 2.6% and 2.1% respectively, seen in Jul'21. This was led by non-food products especially mail orders and internet component. Country wise, Malta, Ireland and Slovakia showed the maximum increase. In a separate print, PPI rose by 1.1% each in both the Euro Area and EU against 2.5% increase seen in Jul'21, led by energy prices.

Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (1.52%) as Treasury Secretary flagged concerns that debt default could trigger recession. Japan's 10Y yield rose by 2bps (0.08%) amidst recent political developments. Crude prices fell by 1.8% (US\$ 81/bbl) retreating from its high seen in Oct'18, amidst build up in US inventories. India's 10Y yield rose by 2bps (6.28%) awaiting RBI's policy decision. It is trading at 6.27% today.
- Currency:** Except JPY (flat) and CNY (higher), other global currencies closed lower against the dollar. DXY rose by 0.2% as US private payrolls (ADP) rose more than expected in Sep'21. EUR fell by 0.4% as Germany's factory orders fell sharply in Aug'21. INR depreciated by 0.7% to a more than 5-month low as oil prices remained above US\$ 80/bbl mark. However, it is trading higher today in line with other Asian currencies.
- Equity:** Barring Dow, other global indices ended lower amidst inflationary concerns. Amongst other indices, Dax (1.5%) dropped the most led by disappointing factory order print. Sensex (0.9%) too ended in red led by metal stocks. However, it is trading higher in line with other Asian indices.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.52	(1)	0	20	20	73
UK	1.07	(1)	8	35	47	77
Japan	0.08	2	1	4	5	4
Germany	(0.18)	1	3	18	12	31
India ^{AA}	6.28	2	7	12	11	26
China	2.88	1	2	3	(21)	(27)
2Y yields (Δ bps)						
US	0.29	1	0	9	8	14
UK	0.47	2	6	27	41	48
Japan	(0.10)	1	2	2	1	1
Germany	(0.69)	0	(1)	1	(2)	(0)
India ^A	4.29	9	6	22	(9)	(6)
China	2.32	0	1	8	1	(28)
Currencies (Δ %)						
EUR	1.1556	(0.4)	(0.4)	(2.7)	(2.0)	(1.8)
GBP	1.3582	(0.3)	1.2	(2.1)	(1.6)	5.1
JPY	111.41	0.0	0.5	(1.5)	(0.7)	(5.1)
AUD	0.7272	(0.3)	1.3	(2.5)	(2.9)	1.9
INR	74.99	(0.7)	(1.1)	(2.7)	(0.5)	(2.3)
CNY	6.4448	0.4	0.2	0.2	0.4	5.1
Equity & Other indices (Δ %)						
Dow	34,417	0.3	0.1	(2.7)	(0.8)	21.6
FTSE	6,996	(1.1)	(1.6)	(2.0)	(2.2)	17.7
DAX	14,973	(1.5)	(2.6)	(5.1)	(4.6)	15.8
NIKKEI	27,529	(1.1)	(6.8)	(5.5)	(3.0)	17.5
Shanghai Comp	3,568	0.9	(2.0)	(0.4)	1.4	10.9
SENSEX	59,190	(0.9)	(0.4)	1.8	11.6	48.4
Brent (US\$/bbl)	81.08	(1.8)	3.1	11.7	10.4	93.1
Gold (US\$/oz)	1,763	0.1	2.1	(3.6)	(2.3)	(6.6)
CRB Index	559.2	0.1	0.5	0.2	1.1	37.6
Rogers Agri Index	1,115.4	0.2	2.0	3.3	9.1	45.2
LIBOR (3M)*	0.12	0	(1)	1	0	(11)
INR 5Y Swap*	5.81	4	2	1	7	46
India FII data (US\$ mn)						
	4 Oct	1 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	18.8	21.6	40.4	34.0	109.1	2,136.3
FII-Equity	78.8	435.4	514.2	728.9	9,258.9	1,932.5

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

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