

## MACRO DAILY

08 October 2021

### Macro developments

- Centre has released Rs 400bn to States in order to meet the GST revenue shortfall. Taking into account the earlier Rs 750bn (announced on 15 Jul 2021), the total amount released under this mechanism tantamount to Rs 1.15tn, out of pegged Rs 1.59tn. This is over and above the compensation of Rs 1tn based on cess collection to be released to states during FY22. Centre's buoyant revenue collections has enabled faster clearance of dues, despite adhering to its targeted Rs 12.05tn borrowing plan in FY22.
- Germany's industrial production declined sharply by 4% in Aug'21 (MoM) from an increase of 1.3% in Jul'21 and estimate of a 0.1% decline. This was the steepest decline since Apr'20. Production of motor vehicles, trailers and semi-trailers (17.5%) and machinery and equipment (6.3%) fell the most. Auto sector is the worst hit as supply chain disruptions have led to a shortage of intermediate products. This will have a negative impact on growth in Q3CY21.
- US labour market remained robust with jobless claims for the week ended 2 Oct 2021 dropping sharply by 38,000 to 326,000. This comes against the backdrop of government winding down most of the pandemic-related programs amidst expectation of higher labour demand. However, these are still elevated compared to pre pandemic period when the average claims were hovering around 220,000. The 4-week moving average of claims, inched up to 344,000.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 5bps (1.57%) supported by better jobless claims print. While Japan's 10Y yield fell by 1bps (0.07%), Germany's 10Y yield closed flat at (0.19%). Crude prices rose by 1.1% (US\$ 82/bbl) as supply constraints persist. India's 10Y yield fell by 1bps (6.27%) ahead of RBI's policy decision.
- Currency:** Except EUR (flat) and JPY (lower), other global currencies closed higher. DXY fell by 0.1% ahead of US jobs report. GBP rose by 0.3% on expectation of a rate hike as BoE Chief Economist expressed concerns over the recent surge in inflation. After falling for 3-straight sessions, INR rose by 0.3% supported by global cues. Asian currencies are trading higher today.
- Equity:** Global indices rebounded and ended higher as investors' awaited US jobs report and monitored news of US senate finalising a deal on debt ceiling. Amongst other indices, Dax (1.9%) gained the most followed by FTSE (1.2%) and Dow (1%). Sensex (0.8%) too ended in green led by gains in real estate stocks. It is trading higher today in line with other Asian indices.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.57	5	9	25	28	79
UK	1.08	1	5	38	47	79
Japan	0.07	(1)	0	2	5	3
Germany	(0.19)	0	1	18	12	34
India <sup>AA</sup>	6.27	(1)	4	10	14	25
China	2.88	1	2	3	(21)	(27)
<b>2Y yields (Δ bps)</b>						
US	0.31	1	3	10	11	15
UK	0.47	0	6	30	39	50
Japan	(0.10)	1	3	3	2	1
Germany	(0.70)	(1)	(2)	1	(2)	1
India <sup>A</sup>	4.27	(2)	4	21	(5)	(7)
China	2.32	0	1	8	1	(28)
<b>Currencies (Δ %)</b>						
EUR	1.1552	0	(0.2)	(2.7)	(2.5)	(1.8)
GBP	1.3619	0.3	1.1	(1.6)	(1.2)	5.3
JPY	111.63	(0.2)	(0.3)	(1.6)	(1.7)	(5.3)
AUD	0.7312	0.6	1.2	(1.7)	(1.6)	2.1
INR	74.79	0.3	(0.7)	(2.3)	(0.1)	(2.1)
CNY	6.4448	0.4	0.2	0.2	0.4	5.1
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,755	1.0	2.7	(1.7)	1.0	22.3
FTSE	7,078	1.2	(0.1)	(1.5)	0.7	18.4
DAX	15,251	1.9	(0.1)	(4.3)	(1.1)	16.9
NIKKEI	27,678	0.5	(6.0)	(6.7)	(1.6)	17.0
Shanghai Comp	3,568	0.9	(2.0)	(1.5)	1.4	10.9
SENSEX	59,678	0.8	0.9	2.4	13.5	48.5
Brent (US\$/bbl)	81.95	1.1	4.4	13.5	10.6	89.1
Gold (US\$/oz)	1,756	(0.4)	(0.1)	(3.7)	(2.6)	(7.3)
CRB Index	560.4	0.2	1.2	0.4	1.5	37.9
Rogers Agri Index	1,122.4	0.6	1.8	4.0	10.4	46.5
LIBOR (3M)*	0.12	0	(1)	1	1	(10)
INR 5Y Swap*	5.80	(1)	2	2	9	44
<b>India FII data (US\$ mn)</b>						
	<b>6 Oct</b>	<b>5 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(14.1)	18.8	26.3	20.0	95.0	2,122.3
FII-Equity	(105.0)	78.8	409.2	624.0	9,153.9	1,827.6

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

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