

## MACRO DAILY

01 November 2021

### Macro developments

- India's eight core output moderated to 4.4% in Sep'21 from 11.5% in Aug'21, slowest pace of growth in over 7-months. This was led by coal (8.1% versus 20.6% in Aug'21), electricity (0.3% versus 16%) and refinery products (6% versus 9.1%). However, natural gas output remained a bright spot as it improved by 27.5% from 20.7% in Aug'21. The impact of semiconductor shortage is likely to adversely impact IIP growth in Sep'21.
- India's fiscal deficit remained unchanged at 6.5% in Sep'21 (12MMA basis). Both centre's revenue and spending picked up in Sep'21. Gross tax revenue rose to Rs 11.8tn in H1FY22 versus Rs 7.2tn in H1FY21 and Rs 9.2tn over 2 year horizon (H1FY20). Both direct (Rs 5.8tn as of Sep'21 versus Rs 3.7tn as of Aug'21) and indirect tax collections (Rs 6tn versus Rs 4.9tn) have registered improvement. Spending was up by 9.9% as of Sep'21 (FYTD) versus 2.3% rise in Aug'21, led by revenue spending (6.3% versus 0.8% decline).
- China's official manufacturing PMI fell further into contraction in Oct'21 and was at 49.2 versus 49.6 in Sep'21, owing to drop in the sub-index of production (48.4) and new orders (48.8). Moderation in demand was the key driver. Worryingly, output price index has risen to its highest since CY16 to 61.1 in Oct'21, thus impacting profitability of firms. Non-manufacturing PMI also slowed in Oct'21, to 52.4 from 53.2 in Sep'21. Within this, services index moderated to 51.6 from 52.4, while construction index remained unchanged in Oct'21 at 56.9.

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 3bps (1.55%) as investors tracked ECB's dovish comments and awaited Fed policy meeting. Germany's 10Y yield rose by 3bps (-0.11%) as government revised its growth projection for CY22 upwards. Crude prices rose by 0.1% (US\$ 84/bbl) ahead of OPEC+ meeting (4 Nov). India's 10Y yield rose by 2bps (6.39%) as OIS rates rose. It is trading lower at 6.37% today.
- Currency:** Except INR (higher), other global currencies closed lower. EUR registered its sharpest single-day fall since Mar'20 as Euro Area inflation surged to a 13-year high. DXY gained by 0.8% on strengthening expectations of rate hike by Fed. INR appreciated by 0.1%. However, INR is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors monitored spike in inflation print in both US and Euro Area. Investors also turned their attention towards Fed and BoE policy meet, scheduled later this week. Sensex (1.1%) dropped the most led by sharp losses in technology and banking stocks. It is trading higher today in line with other Asian stocks.

**Dipanwita Mazumdar**

dipanwita.mazumdar@bankofbaroda.com

+91 22 6698 5218



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.55	(3)	(8)	1	33	68
UK	1.03	3	(11)	4	47	77
Japan	0.10	1	0	1	8	6
Germany	(0.11)	3	0	9	36	52
India	6.39	2	2	16	18	50
China	2.97	0	(3)	9	12	(22)
<b>2Y yields (Δ bps)</b>						
US	0.50	1	4	20	31	34
UK	0.71	6	5	30	65	74
Japan	(0.10)	0	1	2	2	2
Germany	(0.59)	3	5	10	18	21
India	4.46	4	8	32	23	27
China	2.23	(1)	(6)	(11)	23	(49)
<b>Currencies (Δ %)</b>						
EUR	1.1558	(1.1)	(0.7)	(1.1)	(2.6)	(0.8)
GBP	1.3682	(0.8)	(0.5)	1.1	(1.6)	5.7
JPY	113.95	(0.3)	(0.4)	(2.2)	(3.9)	(8.9)
AUD	0.7518	(0.3)	0.7	3.9	2.4	7.0
INR	74.88	0.1	0	(1.1)	(0.6)	(1.0)
CNY	6.4056	(0.2)	(0.3)	0.8	0.9	4.3
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,820	0.2	0.4	4.4	2.5	35.2
FTSE	7,238	(0.2)	0.5	3.0	2.9	29.8
DAX	15,689	0	0.9	2.9	0.9	35.8
NIKKEI	28,893	0.3	0.3	(4.3)	5.9	25.7
Shanghai Comp	3,547	0.8	(1.0)	(1.5)	4.4	10.0
SENSEX	59,307	(1.1)	(2.5)	(0.6)	12.8	49.7
Brent (US\$/bbl)	84.38	0.1	(1.3)	6.7	10.5	125.3
Gold (US\$/oz)	1,783	(0.9)	(0.5)	2.8	(1.7)	(5.1)
CRB Index	571.2	0.2	0.5	2.8	1.6	39.5
Rogers Agri Index	1,144.2	0.1	1.8	5.1	8.0	46.1
LIBOR (3M)*	0.13	0	1	0	1	(8)
INR 5Y Swap*	5.92	1	(1)	14	12	73
<b>India FII data (US\$ mn)</b>						
	<b>28 Oct</b>	<b>27 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(68.2)	9.4	(44.3)	(173.5)	(98.5)	1,928.8
FII-Equity	(325.6)	(242.7)	(1,124.9)	(1,539.1)	6,990.9	(335.5)

Source: Bloomberg, Bank of Baroda Research | \*Indicates change in bps

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. 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 of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries 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. Bank of Baroda 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 Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda 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.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

**Economics Research Department**

Bank of Baroda

+91 22 6698 5218

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)