

## MACRO DAILY

01 September 2021

### Macro developments

- India's economy reported a sharp rebound at 20.1% in Q1FY22 over a low base of (-) 24.4% last year. Exports and investment demand led the uptick. Consumption is recovering at a slower pace and likely to do so in the near-term as well. Construction and manufacturing are the GVA growth drivers and will continue to do well in the near-term. Contact intensive trade, hotels category are expected to rebound with a lag.
- Centre's fiscal deficit (% of GDP) eased sharply to 6.1% in Jul'21 (12MMA basis) from 6.7% in Jun'21, owing to improvement in revenue collections and steady expenditure growth. In FYTD22 (Apr-Jul), centre's net revenue has jumped to Rs 6.7tn versus Rs 2.3tn in FYTD21 and Rs 3.8tn in FYTD20. The increase is led by both direct (Rs 3tn in FYTD22 versus Rs 2.2tn in FY20) and indirect tax collections (Rs 3.9tn versus Rs 3.2tn). Overall expenditure is broadly steady at Rs 10tn versus 10.5tn in FYTD21 and Rs 9.5tn in FYTD20.
- US Conference Board consumer confidence index dropped to 113.8 in Aug'21 (est.: 123) from 125.1 in Jul'21. The 6-month low reading was driven by surge in Covid-19 cases and rising prices of food and fuel. As consumers became less certain about future job prospects and income, expectations index also fell to 7-month low of 91.4 from 103.8 in Jul'21. Consumers indicated that they were less likely to spend on homes, autos and major appliances in the near-term.

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### Markets

- Bonds:** Global yields closed mixed. UK (14bps) and Germany's (6bps) 10Y yield jumped the most as higher than expected inflation print of the Eurozone (3% in Aug'21 versus Central Bank's target of 2%) impacted sentiments. US 10Y yield rose by 3bps to 1.31%. Brent fell by 0.6% to US\$ 73/bbl. As a result India's 10Y yield closed 1bps lower at 6.22%. It is trading higher at 6.23% today.
- Currency:** Barring GBP (flat) and JPY (lower), other global currencies closed higher against the dollar. DXY closed flat awaiting US jobs report. INR appreciated by 0.4% as Brent dropped by 0.6%. This was followed by AUD (0.3%) and EUR (0.1%). INR is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed led by subdued data print (Euro area's inflation and China's PMI print). While, European indices ended in red, Sensex (1.2%) ended at an all-time high. Technology and consumer durable stocks advanced the most. It is trading higher today signalling confidence over the ongoing economic recovery. However, Asian stocks are trading mixed.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.31	3	2	9	(30)	64
UK	0.71	14	18	15	(11)	42
Japan	0.03	0	1	0	(6)	(2)
Germany	(0.38)	6	10	8	(21)	4
India <sup>AA</sup>	6.22	(1)	(3)	1	19	27
China	2.85	0	(1)	(1)	(24)	(22)
<b>2Y yields (Δ bps)</b>						
US	0.21	1	(1)	3	6	8
UK	0.22	10	9	16	15	32
Japan	(0.13)	(2)	(2)	(1)	(1)	(1)
Germany	(0.71)	2	3	5	(5)	(4)
India <sup>A</sup>	4.12	1	(2)	(11)	(18)	(24)
China	2.24	(1)	34	24	(10)	(26)
<b>Currencies (Δ %)</b>						
EUR	1.1809	0.1	0.5	(0.5)	(3.3)	(0.9)
GBP	1.3755	0	0.2	(1.1)	(2.8)	2.8
JPY	110.02	(0.1)	(0.3)	(0.3)	(0.5)	(3.8)
AUD	0.7316	0.3	0.8	(0.4)	(5.6)	(0.8)
INR	73.01	0.4	1.6	1.9	(0.1)	(0.2)
CNY	6.4607	0.1	0.2	0.0	(1.2)	5.4
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,361	(0.1)	0	1.2	2.3	23.4
FTSE	7,120	(0.1)	(0.1)	1.2	0.6	21.5
DAX	15,835	(0.3)	(0.4)	1.9	1.7	22.1
NIKKEI	28,090	1.1	1.3	3.0	(2.5)	21.4
Shanghai Comp	3,544	0.4	0.8	4.3	(2.2)	3.9
SENSEX	57,552	1.2	2.8	9.4	10.8	47.9
Brent (US\$/bbl)	72.99	(0.6)	2.7	(4.4)	3.9	60.1
Gold (US\$/oz)	1,814	0.2	0.6	0	(4.6)	(7.9)
CRB Index	559.6	(0.1)	0	(0.5)	1.4	42.0
Rogers Agri Index	1,070.5	(0.9)	(1.3)	1.0	(0.5)	44.0
LIBOR (3M)*	0.12	0	0	0	(1)	(13)
INR 5Y Swap*	5.78	6	1	(2)	6	26
<b>India FII data (US\$ mn)</b>						
	<b>30 Aug</b>	<b>27 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	37.9	41.7	37.9	1,619.3	(1,633.9)	393.4
FII-Equity	233.3	(83.3)	233.3	627.9	7,006.0	(320.3)

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

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