

MACRO DAILY

12 November 2021

Macro developments

- As per news reports, Government of India's gross indirect tax collections in FYTD22 so far (Apr-Oct) have risen by 51% on YoY basis to Rs 7.4tn versus BE of Rs 11.1tn (+3%). Even over a 2-year horizon, tax collections are up by 41%. On a monthly basis, this translates into a run-rate of Rs 1.1tn in FYTD22 versus Rs 0.7tn in FYTD21 and Rs 0.8tn in FYTD20. Apart from GST, both excise duty (+33% versus BE of -14%) and customs (more than double in YoY terms) collections have also remained buoyant.
- UK's GDP rose at a softer pace of 1.3% in Q3CY21 (est.: 1.5%) and against 5.5% in Q2CY21, on QoQ basis. Private consumption moderated to 2% against 7.2% in Q2. Government spending also edged down to 0.9% from 8.1%. Exports fell by 1.9% against 6.2% increase in Q2. In a separate print, industrial production fell by 0.4% in Sep'21 (est.: +0.2%) and against 0.8% increase in Aug'21, dragged down by manufacturing sector (0.1% decline against 0.5% increase in Aug'21).
- Japan's PPI rose to a 40-year high of 8% in Oct'21 (est. 7%) from 6.4% in Sep'21, (YoY basis). Prices of iron and steel (21.8% versus 18.1%) and petroleum (44.5% versus 32.4%) rose sharply. Acceleration was also seen in prices of timber and wood products (57% versus 52.2%) and non-ferrous metals (31.4% versus 27%). On a MoM basis too, PPI rose sharply by 1.2% in Oct'21 versus 0.3% in Sep'21.

Markets

- Bonds:** Except UK (lower), global yields closed higher as elevated inflation data worldwide escalated hopes of hawkish policy by major central banks. However, UK's 10Y yield fell a tad by 1bps (0.92%) as macro prints showed signs of stress. Crude prices rose by 0.3% (US\$ 83/bbl). India's 10Y yield rose by 3bps (6.37%), on global cues. It is trading lower today at 6.35%, ahead of CPI data.
- Currency:** Except CNY (flat), other global currencies closed lower against the dollar. DXY rose by 0.3% to a 16-month high on increased hopes of rate hikes by Fed. AUD fell the most by 0.5% as Australia's unemployment rate rose more than expected in Oct'21. INR depreciated by 0.2% as oil prices rose. However, it is trading higher today while other Asian currencies are trading lower.
- Equity:** Barring Dow and Sensex, other global indices ended higher. Investors reacted to better than estimated earnings results and news of China's Evergrande averting a default. Shanghai Comp rose the most. Sensex ended in red (0.7%), led by banking and real estate stocks. However, it is trading higher today, in line with other Asian stocks.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.55	11	2	(6)	19	67
UK	0.92	(1)	(2)	(27)	32	57
Japan	0.07	1	0	(2)	4	4
Germany	(0.23)	2	(1)	(11)	23	31
India	6.37	3	1	2	14	46
China	2.93	3	1	(4)	6	(33)
2Y yields (Δ bps)						
US	0.51	9	9	20	29	34
UK	0.57	(1)	7	(3)	41	60
Japan	(0.11)	0	(1)	(2)	1	2
Germany	(0.69)	1	2	(2)	5	3
India	4.55	5	12	17	36	42
China	2.31	1	1	1	29	(49)
Currencies (Δ %)						
EUR	1.1451	(0.2)	(0.9)	(0.9)	(2.4)	(3.0)
GBP	1.3372	(0.2)	(0.9)	(1.6)	(3.2)	1.9
JPY	114.06	(0.1)	(0.3)	(0.7)	(3.3)	(8.5)
AUD	0.7294	(0.5)	(1.4)	(0.8)	(0.6)	0.9
INR	74.52	(0.2)	(0.1)	1.1	(0.4)	0.2
CNY	6.3914	0	0.1	0.9	1.4	3.4
Equity & Other indices (Δ %)						
Dow	35,921	(0.4)	(0.6)	4.1	1.2	23.5
FTSE	7,384	0.6	1.4	3.3	2.7	16.5
DAX	16,083	0.1	0.3	5.8	0.9	23.2
NIKKEI	29,278	0.6	(1.7)	2.7	4.5	14.7
Shanghai Comp	3,533	1.2	0.2	(1.6)	0.2	5.8
SENSEX	59,920	(0.7)	(0.2)	(0.4)	9.3	38.2
Brent (US\$/bbl)	82.87	0.3	2.9	(0.9)	16.2	90.4
Gold (US\$/oz)	1,862	0.7	3.9	6.2	6.2	(0.8)
CRB Index	570.6	0	0.3	1.6	1.3	37.5
Rogers Agri Index	1,162.7	0.6	1.9	3.8	6.5	43.2
LIBOR (3M)*	0.15	0	1	3	3	(7)
INR 5Y Swap*	5.88	4	1	4	5	74
India FII data (US\$ mn)						
	10 Nov	9 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	165.4	(46.3)	(9.4)	109.7	39.4	2,066.6
FII-Equity	(396.7)	85.5	(452.2)	(402.3)	5,856.3	(1,470.1)

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | US fixed income markets were closed on 11 Oct 2021

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