

## MACRO DAILY

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### Macro developments

- IMF has retained India's growth forecast for FY22 and FY23 at 9.5% and 8.5% respectively. Inflation is expected at 5.6% in FY22 before decelerating to 4.9% in FY23. Global growth is estimated lower at 5.9% in CY21 (6% earlier), led by slowdown in advanced economies (AEs) due to supply chain disruptions. Growth estimate for AEs has been cut by 40bps to 5.2% in CY21 led by US (6% versus 7% earlier).
- Germany's Zew economic sentiment index worsened to 22.3 (5-month low) in Oct'21 from 26.5 in Sep'21 as the overall economic outlook dimmed on the back of 'supply bottlenecks for raw materials and intermediate products'. The current situation index dropped to 21.6 in Oct'21 (est. 29.5) from 31.9 in Sep'21. Even for Eurozone, the current situation index fell to 15.9 in Oct'21, down by 6.6 points from Sep'21. Inflation expectations moderated for Eurozone.
- China's exports surprised positively and rose by 28.1% in Sep'21 (est.: 21.5%) from 25.6% in Aug'21. This could be attributed to frontloading of orders ahead of Christmas. However, going ahead, exports are expected to moderate owing to the impact of power rationing, supply chain bottlenecks and softening demand. As a sign of cooling domestic demand, led by reeling construction sector, China's imports eased to 17.6% in Sep'21 (est.: 20.9%) from 33.1% in Aug'21. Elevated global commodity prices have also led to lower import volumes.

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### Markets

- Bonds:** Global yields closed mixed. UK and US' 10Y yields fell the most, by 4bps (1.15%) and 3bps (1.58%) respectively, ahead of US CPI and FOMC minutes. On the other hand, Germany's 10Y yield rose by 4bps following domestic political cues. Crude prices eased by 0.3% (US\$ 83.4/bbl) over fears of high inflation denting demand. India's 10Y yield fell by 2bps (6.33%). It is trading further lower at 6.32% today as CPI inflation cooled off in Sep'21.
- Currency:** Except AUD and CNY (flat), other global currencies closed lower against the dollar. DXY rose by 0.2% to a 1-year high as investors await FOMC minutes. EUR depreciated by 0.2% as Germany's economic sentiment index eased. INR depreciated by 0.2% to 17-month low as oil prices hovered around a 3-year high. However, it is trading higher today in line with other Asian currencies.
- Equity:** Barring Sensex, other global indices ended lower as concerns rose over global economic recovery after IMF slashed global growth forecast. Shanghai Comp (1.2%) dropped the most, followed by Nikkei (0.9%). However, Sensex rose by 0.2% led by consumer durable and auto stocks. It is trading higher today while other 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	1.58	(3)	5	24	16	85
UK	1.15	(4)	6	39	52	91
Japan	0.09	0	3	5	7	6
Germany	(0.09)	4	10	24	21	47
India	6.33	(2)	7	15	12	42
China	2.97	0	9	9	3	(23)
<b>2Y yields (Δ bps)</b>						
US	0.34	2	5	13	9	20
UK	0.56	(3)	11	33	47	61
Japan	(0.11)	(1)	0	2	1	2
Germany	(0.66)	1	3	4	1	7
India	4.39	1	19	31	8	12
China	2.30	(1)	(3)	3	21	(32)
<b>Currencies (Δ %)</b>						
EUR	1.1530	(0.2)	(0.6)	(2.4)	(2.1)	(1.8)
GBP	1.3588	(0.1)	(0.3)	(1.8)	(1.6)	5.0
JPY	113.61	(0.3)	(1.9)	(3.3)	(2.7)	(7.7)
AUD	0.7350	0	0.8	(0.1)	(1.3)	2.6
INR	75.52	(0.2)	(1.4)	(2.7)	(1.4)	(2.9)
CNY	6.4489	0	(0.1)	(0.1)	0.3	4.4
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,378	(0.3)	0.2	(0.7)	(1.5)	19.9
FTSE	7,130	(0.2)	0.8	1.4	0.1	19.4
DAX	15,147	(0.3)	(0.3)	(3.0)	(4.1)	16.3
NIKKEI	28,231	(0.9)	1.5	(7.1)	(1.7)	19.6
Shanghai Comp	3,547	(1.2)	(0.6)	(4.2)	(0.5)	5.6
SENSEX	60,284	0.2	0.9	3.4	14.2	48.4
Brent (US\$/bbl)	83.42	(0.3)	1.0	14.4	9.1	96.5
Gold (US\$/oz)	1,760	0.3	0	(1.5)	(2.6)	(6.9)
CRB Index	561.7	(0.1)	0.5	1.0	0.4	36.8
Rogers Agri Index	1,106.8	(1.2)	(0.6)	5.0	6.7	44.2
LIBOR (3M)*	0.12	0	0	1	0	(12)
INR 5Y Swap*	5.85	1	8	8	5	56
<b>India FII data (US\$ mn)</b>						
	<b>11 Oct</b>	<b>8 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(87.9)	(180.4)	(87.9)	(260.5)	(185.5)	1,841.8
FII-Equity	(43.3)	(148.1)	(43.3)	100.6	8,630.5	1,304.2

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

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