

MACRO DAILY

15 September 2021

Macro developments

- India's trade deficit widened to US\$ 13.8bn in Aug'21 versus US\$ 11bn in Jul'21 led by a surge in gold imports. Exports moderated to 45.8% in Aug'21 from 49.9% in Jul'21 led by deceleration in oil and gems and jewellery exports. Imports also slowed to 51.8% in Aug'21 from 63% in Jul'21 as oil imports dipped. In FYTD22, while exports are up by 23.3% over a 2-year horizon, imports have increased by only 4.4%. Non-oil-non-gold imports are up by 3.9% (2-year). We expect trade deficit at US\$ 150bn and INR in 73-75/\$ in FY22.
- US CPI softened to 0.3% in Aug'21 (est.:0.4%) compared to 0.5% in Jul'21, on MoM basis. This was on account of tumbling prices of used motor vehicles. Food inflation edged down to 0.4% (0.7% in Jul'21). Even core decelerated to 0.1% from 0.3%. On YoY basis, CPI and core were at 5.3% and 4% respectively.
- China's economy weakened further led by stringent lockdown restrictions and global semiconductor shortages. Retail sales softened to 2.5% in Aug'21 from 8.5% in Jul'21. Moreover, with surge in delta variant, consumer spending has taken a hit and recent crackdown on property and educational services has also weighed on consumer sentiments. Further, China's industrial output also moderated to 5.3% in Aug'21 (slowest pace since Jul'20) from 6.4% in Jul'21. Fixed investment too slowed to 8.9% in CYTD21 (Jan-Aug) from 10.3% (Jan-Jul'21).

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Markets

- Bonds:** Except Japan and China (stable), global yields closed lower. US 10Y yield fell the most by 4bps (1.28%) as softening inflation print raised uncertainty about Fed's tapering timeline. Crude prices rose by 0.1% (US\$ 74/bbl) due to decline in US inventory. Thus, India's 10Y yield rose a tad by 1bps (6.2%). It is trading at 6.19% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.1% as US inflation was softer than expected. AUD fell the most by 0.7% as RBA Governor pushed back the possibility of rate hikes. JPY and CNY gained by 0.3% and 0.2% respectively. INR closed flat. It is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors monitored US inflation print and awaited guidance from central banks. Amongst other indices, Shanghai Comp (1.4%) dropped the most followed by Dow (0.8%). On other hand, Nikkei gained by 0.7%. Sensex (0.1%) too ended in green led by auto and technology stocks. It is trading higher today while other Asian stocks are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.28	(4)	(9)	1	(21)	60
UK	0.74	(1)	0	17	(2)	52
Japan	0.05	0	1	2	0	3
Germany	(0.34)	(1)	(2)	13	(11)	14
India ^{AA}	6.20	1	0	(4)	16	17
China	2.89	0	3	0	(26)	(23)
2Y yields (Δ bps)						
US	0.21	(1)	(1)	0	4	7
UK	0.23	0	4	10	15	30
Japan	(0.12)	(2)	0	(1)	(1)	1
Germany	(0.70)	1	0	4	(3)	(1)
India ^A	4.13	1	6	(6)	(49)	(34)
China	2.31	5	7	27	(14)	(31)
Currencies (Δ %)						
EUR	1.1803	(0.1)	(0.3)	0.1	(2.7)	(0.4)
GBP	1.3810	(0.2)	0.2	(0.4)	(1.9)	7.1
JPY	109.69	0.3	0.5	(0.1)	0.4	(4.0)
AUD	0.7320	(0.7)	(0.9)	(0.7)	(4.8)	0.2
INR	73.69	0	(0.4)	0.8	(0.5)	(0.1)
CNY	6.4386	0.2	0.4	0.6	(0.5)	5.1
Equity & Other indices (Δ %)						
Dow	34,578	(0.8)	(1.5)	(2.6)	0.8	23.5
FTSE	7,034	(0.5)	(1.6)	(2.6)	(1.9)	15.2
DAX	15,723	0.1	(0.8)	(1.6)	0	19.0
NIKKEI	30,670	0.7	2.5	9.6	4.2	30.8
Shanghai Comp	3,663	(1.4)	(0.4)	4.2	3.0	11.1
SENSEX	58,247	0.1	(0.1)	5.1	10.4	49.2
Brent (US\$/bbl)	73.60	0.1	2.7	4.3	(0.5)	81.6
Gold (US\$/oz)	1,805	0.6	0.6	1.4	(2.9)	(7.7)
CRB Index	555.1	0	0.2	(1.6)	(0.7)	36.8
Rogers Agri Index	1,060.6	0.7	(0.8)	(3.9)	0.8	42.8
LIBOR (3M)*	0.12	0	0	(1)	(1)	(13)
INR 5Y Swap*	5.72	(2)	(8)	(12)	1	14
India FII data (US\$ mn)						
	13 Sep	9 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	34.7	157.7	34.7	362.7	(1,051.1)	976.1
FII-Equity	191.7	161.4	191.7	569.2	7,959.7	633.4

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

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