

## MACRO DAILY

16 November 2021

### Macro developments

- Union government of India (GoI) has announced that it will release Rs 951bn to states in Nov'21 as the tax devolution amount. GoI shares 41% of the gross tax collected with states in 14 installments. For Nov'21, instead of regular monthly instalment of Rs 475bn, additional Rs 475bn will also be disbursed to states. Front-loading of revenue collections will aid states' capital spending plans.
- India's trade deficit receded from a record high of US\$ 22.6bn in Sep'21 to US\$ 19.7bn in Oct'21, led by higher exports (43.1% in Oct'21 from 22.6%). Both oil and non-oil exports increased. On the other hand, imports moderated to 62.5% in Oct'21 (84.8% in Sep'21), as oil imports dipped. Non-oil-non-gold imports were buoyant and rose to a historic high of US\$ 35.8bn in Oct'21 (40.1%). Imports are likely to remain elevated due to higher oil prices and recovery in domestic demand.
- RBA's minutes of its latest policy meeting indicate that the Central Bank intends to keep the cash rate at its current level (0.1%) until CY24. Members believe that until then inflation is not expected to "sustainably" reach within the targeted band of 2-3%. Although members also noted that risks to inflation were changing, and highlighted that risks were tilted towards the upside. Global supply chain pressures and wage response to low unemployment, were sighted as key worries.

### Markets

- Bonds:** Except Japan, China and India (lower), global yields closed higher amidst inflationary concerns globally. US and UK's 10Y yield rose the most by 5bps at 1.61% and 0.96% respectively, following comments from Richmond Fed President and BoE Governor on inflation outlook. Crude prices fell by 0.1% (US\$ 82/bbl) amidst worries of muted demand following rising cases in Europe. Thus, India's 10Y yield fell by 3bps (6.34%). It is trading higher at 6.36% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.3% to a 16-month high as investors expect Fed to turn more hawkish amidst rising inflation. AUD rose by 0.2%. JPY fell by 0.2% as Japan's GDP contracted more than expected. INR depreciated by 0.1% despite lower oil prices. It is trading further lower today while other Asian currencies are trading higher.
- Equity:** Barring Dow (flat) and Shanghai Comp (lower), other global indices ended higher. Investors await US' retail sales data and also reacted to sharp decline in China's new home prices (steepest since Feb'15). Nikkei and European markets ended in green supported by corporate earnings results. Sensex rose by 0.1% led by consumer durables and power stocks. It is trading lower today, while other Asian stocks are trading mixed.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.61	5	12	4	35	71
UK	0.96	5	11	(14)	39	62
Japan	0.07	(1)	1	(2)	4	5
Germany	(0.23)	3	1	(6)	24	32
India	6.34	(3)	4	1	10	46
China	2.93	(1)	2	(6)	3	(35)
<b>2Y yields (Δ bps)</b>						
US	0.52	0	7	12	31	34
UK	0.57	4	15	(1)	42	59
Japan	(0.09)	2	2	2	3	4
Germany	(0.69)	5	3	(1)	5	3
India	4.53	(3)	2	22	34	43
China	2.31	1	8	2	27	(52)
<b>Currencies (Δ %)</b>						
EUR	1.1368	(0.7)	(1.9)	(2.0)	(3.5)	(4.1)
GBP	1.3416	0	(1.1)	(2.4)	(3.1)	1.6
JPY	114.12	(0.2)	(0.8)	0.1	(4.5)	(9.1)
AUD	0.7347	0.2	(1.0)	(1.0)	0.1	0.4
INR	74.49	(0.1)	(0.6)	1.0	(0.3)	0.2
CNY	6.3831	(0.1)	0.2	0.8	1.4	3.1
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	36,087	0	(0.9)	2.2	1.3	20.5
FTSE	7,352	0.1	0.7	1.6	2.8	14.5
DAX	16,149	0.3	0.6	3.6	1.4	22.9
NIKKEI	29,777	0.6	0.9	2.4	8.2	14.9
Shanghai Comp	3,533	(0.2)	1.0	(1.1)	0.5	5.6
SENSEX	60,719	0.1	0.3	(1.0)	9.2	39.1
Brent (US\$/bbl)	82.05	(0.1)	(1.7)	(3.3)	18.0	87.2
Gold (US\$/oz)	1,863	(0.1)	2.1	5.4	4.2	(1.4)
CRB Index	569.5	(0.2)	0	0.4	1.0	35.5
Rogers Agri Index	1,168.9	0	3.2	4.6	6.0	42.5
LIBOR (3M)*	0.16	0	1	3	3	(7)
INR 5Y Swap*	5.89	0	8	9	5	76
<b>India FII data (US\$ mn)</b>						
	<b>12 Nov</b>	<b>11 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	177.1	(19.0)	148.8	267.8	197.5	2,224.7
FII-Equity	328.7	505.4	381.9	431.8	6,690.3	(636.0)

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

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