

## MACRO DAILY

17 August 2021

### Macro developments

- India's WPI inflation eased to 3-month low of 11.2% in Jul'21 from 12.1% in Jun'21, led by lower food (4.5% in Jul'21 from 6.7% in Jun'21) and fuel inflation (26% in Jul'21 from 32.8% in Jun'21). The decline in food inflation was quite broad-based. On the other hand, core inflation inched up. Manufactured products inflation also picked up (11.2% from 10.9% in Jun'21). Pass-through of higher commodity prices to consumers is yet not complete.
- China's industrial production eased to 6.4% in Jul'21 (est.: 7.8%) from 8.3% in Jun'21, owing to slowdown in both manufacturing (6.2% in Jul'21 versus 8.7% in Jun'21) and mining (0.6% versus 0.7%) output. FAI growth too eased to 10.3% in Jan-Jul'21 (est.: 11.3%) from 12.6% in H1CY21, led by real-estate investment (12.7% versus 15%). Retail sales too missed expectation (11.5%) and eased to 8.5% in Jul'21 from 12.1% in Jun'21. While moderation was broad-based, contraction was seen in automobile sales (1.8% versus 4.5% rise in Jun'21).
- Japan's GDP returned to growth in Q2CY21 and rose by 0.3% on a QoQ basis, compared with a decline of 0.9% in Q1. The rise was led by personal consumption (0.8% in Q2 from -1% in Q1) and GFCF (1.1% in Q2 from -0.9%). Exports also remained strong and rose by 2.9% compared with 2.4% in Q1. On a QoQ annualized basis, GDP rose by 1.3% compared with a fall of 3.7% in Q1. Growth is likely to be lower in Q3CY21 impacted by the more infectious Delta variant cases and lockdown restrictions.

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### Markets

- Bonds:** Global yields closed mixed. While US and Japan's 10Y yield fell by 1bps, UK, Germany and China's 10Y yield closed flat. Crude prices fell by 1.5% (US\$ 70/bbl) amidst rising cases in China, Europe and North America igniting concerns of muted demand. India's 10Y yield is trading lower at 6.23% today, boosted by drop in CPI and WPI print.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% as weaker than expected macro prints from China, surge in spread of Delta variant, and geopolitical risks from Afghanistan impacted investor sentiments. AUD (0.4%) and EUR (0.2%) fell the most. INR closed flat even as oil prices fell. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed led by concerns over the spread of Covid-19 cases and weaker data print from China. Amongst other indices, Nikkei ended lower by 1.6%, while Dow and Sensex both ended higher by 0.3% each. The gains in domestic market were led by metal and oil and gas stocks. It is trading lower today in line with other Asian stocks.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.27	(1)	(6)	(3)	(38)	58
UK	0.57	0	(1)	(5)	(29)	36
Japan	0.02	(1)	1	0	(6)	(3)
Germany	(0.47)	0	(1)	(12)	(35)	(2)
India <sup>AA</sup>	6.24	1	2	3	27	29
China	2.89	0	3	(5)	(25)	(6)
<b>2Y yields (Δ bps)</b>						
US	0.21	0	(1)	(1)	6	6
UK	0.14	1	1	3	6	19
Japan	(0.12)	(1)	0	0	0	(2)
Germany	(0.74)	0	1	(5)	(8)	(8)
India <sup>A</sup>	4.19	(1)	(4)	(9)	(15)	(8)
China	2.04	2	12	2	(36)	(22)
<b>Currencies (Δ %)</b>						
EUR	1.1778	(0.2)	0.3	(0.2)	(3.1)	(0.8)
GBP	1.3849	(0.1)	0	0.6	(2.0)	5.7
JPY	109.24	0.4	1.0	0.8	0	(3.1)
AUD	0.7338	(0.4)	0.1	(0.9)	(5.5)	1.7
INR	74.25	0	0	0.4	(1.4)	0.9
CNY	6.4747	0.1	0.2	0.1	(0.6)	6.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,625	0.3	1.5	2.7	3.8	27.9
FTSE	7,154	(0.9)	0.3	2.1	1.7	16.8
DAX	15,926	(0.3)	1.1	2.5	3.4	23.3
NIKKEI	27,523	(1.6)	(1.1)	(1.7)	(1.1)	19.2
Shanghai Comp	3,517	0	0.6	(0.6)	0	2.3
SENSEX	55,583	0.3	2.2	4.6	12.1	46.1
Brent (US\$/bbl)	69.51	(1.5)	0.7	(5.5)	0.1	53.2
Gold (US\$/oz)	1,787	0.4	3.3	(1.4)	(4.3)	(10.0)
CRB Index	564.0	(0.1)	0.9	0.5	4.7	47.0
Rogers Agri Index	1,102.9	(0.1)	3.9	4.1	4.0	53.8
LIBOR (3M)*	0.12	0	0	(1)	(3)	(14)
INR 5Y Swap*	5.84	0	(4)	(3)	12	48
<b>India FII data (US\$ mn)</b>						
	<b>11 Aug</b>	<b>10 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(43.2)	39.2	(57.8)	(32.7)	(3,285.9)	(1,258.6)
FII-Equity	39.0	39.9	128.1	626.2	7,004.3	(322.0)

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

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