

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.

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.

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Fig 1 – Movement in key global asset classes

10Y yields (Δ bps) US 1.27 (1) (6) (3) Japan 0.02 (1) 1 0 Germany (0.47) 0 (1) (12) India** 6.24 1 2 3 China 2.89 0 3 (5) 2Y yields (Δ bps) US 0.21 0 (1) (1) UK 0.14 1 1 3 Germany (0.12) (1) 0 0 Germany (0.14) 1 1 5 India* 1 1 1 5 India* 1 1 1 5 Chinia 2 1 2<	(38) 5i (29) 3i						
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AUD 0.7338 (0.4) 0.1 (0.9) INR 74.25 0 0 0.4 CNY 6.4747 0.1 0.2 0.1 Equity & Other indices (Δ %) Dow 35,625 0.3 1.5 2.7 FTSE 7,154 (0.9) 0.3 2.1 DAX 15,926 (0.3) 1.1 2.5 NIKKEI 27,523 (1.6) (1.1) (1.7) Shanghai Comp 3,517 0 0.6 (0.6) SENSEX 55,583 0.3 2.2 4.6 Brent (US\$//obl) 69.51 (1.5) 0.7 (5.5) Gold (US\$//oz) 1,787 0.4 3.3 (1.4)	(2.0) 5.	(2.0)	0.6	0	(0.1)	1.3849	GBP
INR 74.25 0 0 0 0.4 CNY 6.4747 0.1 0.2 0.1 Equity & Other indices (Δ %) Dow 35,625 0.3 1.5 2.7 FTSE 7,154 (0.9) 0.3 2.1 DAX 15,926 (0.3) 1.1 2.5 NIKKEI 27,523 (1.6) (1.1) (1.7) Shanghai Comp 3,517 0 0.6 (0.6) SENSEX 55,583 0.3 2.2 4.6 Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	0 (3.1	0	0.8	1.0	0.4	109.24	JPY
CNY 6.4747 0.1 0.2 0.1 Equity & Other indices (Δ %) Dow 35,625 0.3 1.5 2.7 FTSE 7,154 (0.9) 0.3 2.1 DAX 15,926 (0.3) 1.1 2.5 NIKKEI 27,523 (1.6) (1.1) (1.7) Shanghai Comp 3,517 0 0.6 (0.6) SENSEX 55,583 0.3 2.2 4.6 Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	(5.5) 1.	(5.5)	(0.9)	0.1	(0.4)	0.7338	AUD
Equity & Other indices (Δ %) Dow 35,625 0.3 1.5 2.7 FTSE 7,154 (0.9) 0.3 2.1 DAX 15,926 (0.3) 1.1 2.5 NIKKEI 27,523 (1.6) (1.1) (1.7) Shanghai Comp 3,517 0 0.6 (0.6) SENSEX 55,583 0.3 2.2 4.6 Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	(1.4) 0.5	(1.4)	0.4	0	0	74.25	INR
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FTSE 7,154 (0.9) 0.3 2.1 DAX 15,926 (0.3) 1.1 2.5 NIKKEI 27,523 (1.6) (1.1) (1.7) Shanghai Comp 3,517 0 0.6 (0.6) SENSEX 55,583 0.3 2.2 4.6 Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)						s (Δ %)	Equity & Other indices (Δ %)
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NIKKEI 27,523 (1.6) (1.1) (1.7) Shanghai Comp 3,517 0 0.6 (0.6) SENSEX 55,583 0.3 2.2 4.6 Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	1.7 16.8	1.7	2.1	0.3	(0.9)	7,154	FTSE
Shanghai Comp 3,517 0 0.6 (0.6) SENSEX 55,583 0.3 2.2 4.6 Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	3.4 23.	3.4	2.5	1.1	(0.3)	15,926	DAX
SENSEX 55,583 0.3 2.2 4.6 Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	(1.1) 19.3	(1.1)	(1.7)	(1.1)	(1.6)	27,523	NIKKEI
Brent (US\$/bbl) 69.51 (1.5) 0.7 (5.5) Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	0 2.	0	(0.6)	0.6	0	3,517	Shanghai Comp
Gold (US\$/oz) 1,787 0.4 3.3 (1.4)	12.1 46.	12.1	4.6	2.2	0.3	55,583	SENSEX
	0.1 53.3	0.1	(5.5)	0.7	(1.5)	69.51	Brent (US\$/bbl)
CRB Index 564.0 (0.1) 0.9 0.5	(4.3) (10.0	(4.3)	(1.4)	3.3	0.4	1,787	Gold (US\$/oz)
	4.7 47.	4.7	0.5	0.9	(0.1)	564.0	CRB Index
Rogers Agri Index 1,102.9 (0.1) 3.9 4.1	4.0 53.	4.0	4.1	3.9	(0.1)	1,102.9	Rogers Agri Index
LIBOR (3M)* 0.12 0 0 (1)	(3) (14	(3)	(1)	0	0	0.12	LIBOR (3M)*
INR 5Y Swap* 5.84 0 (4) (3)	12 4	12	(3)	(4)	0	5.84	INR 5Y Swap*
India FII data (US\$ mn) 11 Aug 10 Aug WTD MTD	CYTD FYTI	CYTD	MTD	WTD	10 Aug	n) 11 Aug	India FII data (US\$ mn)
FII-Debt (43.2) 39.2 (57.8) (32.7) (3,	,285.9) (1,258.6	(3,285.9)	(32.7)	(57.8)	39.2	(43.2)	FII-Debt
		7,004.3					FII-Equity

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

MACRO DAILY



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