

MACRO DAILY

17 September 2021

Macro developments

- Government of India (GoI) has approved sovereign guarantee of Rs 306bn for security receipts (SRs) issued by NARCL for acquiring of stressed loan assets. GoI aims to transfer Rs 2tn worth NPAs in phases, with Rs 900bn worth NPAs being transferred in phase 1. For the assets transferred, banks will get 15% upfront cash and 85% as SR. The sovereign guarantee will be valid for 5 years contingent upon resolution or liquidation of the asset. It is intended to cover the shortfall between face value of the SRs and actual realisation.
- RBI bought US\$ 7.2bn in the spot market (net) in Jul'21 compared with a record purchase of US\$ 18.6bn in Jun'21. In FYTD22, RBI has bought US\$ 35.9bn in the spot market versus US\$ 29bn in the same period last year. In the forwards market, RBI sold US\$ 0.6bn in Jul'21 versus sale of US\$ 10.3bn in Jun'21. RBI's net outstanding forward position stands at US\$ 49bn as of Jul'21.
- US jobless claims for the week ended 11 Sep 2021 rose by 20,000 to 332,000 compared with expectation of 328,000. The uptick signals a disruption in the ongoing labour market recovery amidst surge in delta variant cases and hurricane Ida. The 4-week moving average of claims, fell by 4,250 to 335,750 (lowest since Mar'20). Separately, US retail sales surprised positively as it rose by 0.7% in Aug'21 (est.: -0.7%) compared with a decline of 1.8% in Jul'21 on a MoM basis.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (1.34%) supported by better retail sales print. Germany's 10Y yield closed flat (-0.3%) ahead of the Euro Area CPI print. China's 10Y yield fell a tad by 1bps (2.89%). Crude prices rose by 0.3% (US\$ 76/bbl) as supply woes still persist. India's 10Y yield closed flat at 6.17%. It is trading at 6.18% today.
- Currency:** Except INR (flat), other global currencies ended lower against the dollar. DXY rose by 0.1% as US retail sales increased unexpectedly in Aug'21. AUD fell the most by 0.6% even as Australia's unemployment rate edged down in Aug'21. JPY fell by 0.3% as Japan's exports rose less than expected. INR is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors monitored US retail sales and jobless claims data. Shanghai Comp (1.3%) dropped the most as regulatory concerns impacted technology sector and casinos. However, Sensex (0.7%) continued its bull-run and closed at a fresh high led by rally in banking and oil and gas 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
10Y yields (Δ bps)						
US	1.34	4	4	7	(17)	65
UK	0.82	4	8	24	4	63
Japan	0.05	2	1	3	(1)	4
Germany	(0.30)	0	6	17	(11)	19
India ^{AA}	6.17	0	(1)	(7)	15	14
China	2.89	(1)	2	0	(28)	(25)
2Y yields (Δ bps)						
US	0.22	1	1	1	1	8
UK	0.29	2	6	14	17	39
Japan	(0.13)	0	(1)	(1)	(2)	1
Germany	(0.70)	0	1	4	(3)	0
India ^A	4.10	(3)	2	(9)	(67)	(34)
China	2.33	(1)	8	29	(14)	(29)
Currencies (Δ %)						
EUR	1.1767	(0.4)	(0.5)	(0.1)	(1.2)	(0.7)
GBP	1.3795	(0.3)	(0.3)	(0.4)	(0.9)	6.3
JPY	109.73	(0.3)	0	(0.4)	0.4	(4.8)
AUD	0.7292	(0.6)	(1.0)	(0.6)	(3.4)	(0.3)
INR	73.52	0	0	1.0	0.8	0.2
CNY	6.4576	(0.4)	0	0.3	(0.1)	4.5
Equity & Other indices (Δ %)						
Dow	34,751	(0.2)	(0.4)	(2.5)	2.7	24.5
FTSE	7,027	0.2	0.0	(1.8)	(1.8)	16.2
DAX	15,652	0.2	0.2	(1.7)	(0.5)	18.5
NIKKEI	30,323	(0.6)	1.1	10.2	4.5	30.0
Shanghai Comp	3,607	(1.3)	(2.3)	2.6	2.3	10.3
SENSEX	59,141	0.7	1.4	6.4	13.0	51.7
Brent (US\$/bbl)	75.67	0.3	5.9	8.9	3.5	74.8
Gold (US\$/oz)	1,754	(2.2)	(2.3)	(1.9)	(1.1)	(9.8)
CRB Index	555.8	(0.3)	0.3	(1.4)	0.2	36.1
Rogers Agri Index	1,073.0	(0.3)	2.0	(2.7)	6.9	42.1
LIBOR (3M)*	0.12	0	1	0	(1)	(11)
INR 5Y Swap*	5.75	1	(2)	(9)	4	21
India FII data (US\$ mn)						
	15 Sep	14 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(13.5)	(50.7)	(29.6)	298.5	(1,115.4)	911.9
FII-Equity	113.0	221.4	526.1	903.6	8,294.2	967.8

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

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