

MACRO DAILY

02 November 2021

Macro developments

- India's manufacturing PMI expanded at its fastest pace in over 7-months to 55.9 in Oct'21 from 53.7 in Sep'21. The improvement was led by scaling up of production as new orders continued to expand even in Oct'21. Factory output rose at its fastest pace since Mar'21. Further, expansion in new export orders (fastest in 3-months) was also seen owing to the pick-up in international demand. With overall improvement in demand, business optimism scaled up to a 6-month high.
- Manufacturing PMI in the US showed moderation as reflected in the ISM print which fell to 60.8 in Oct'21 from 61.1 in Sep'21. This was on account of record-long raw materials lead times, continued shortages of critical materials and rising commodities prices. New orders index fell to 59.8 from 66.7 in Sep'21. Price Index rose to 85.7 from 81.2. However, employment Index rose to 52 from 50.2 in Sep'21.
- Reserve Bank of Australia (RBA) in its recent policy discontinued the yield curve control of 0.1% on its April 2024 Government bond. This was on the back of inflation gathering pace and economy recovering with faster pace of vaccination. It projected inflation to be at 2.25% in CY21 and CY22 and at 2.5% in CY23. Growth is estimated to be at 3% in CY21 and at 5.5% and 2.5% in CY22 and CY23 respectively. On rates and asset purchase program however, it stayed put.

Markets

- Bonds:** Except UK and China, global yields closed flat. UK 10Y yield rose by 3bps (1.06%) as investors are anticipating a rate hike in the upcoming policy on the back of higher inflation. Crude prices rose by 0.4% (US\$ 85/bbl) amidst reports of national oil firms in China ramping up refinery run rates showing improved demand. India's 10Y yield closed flat at 6.39%. It is trading lower at 6.37% today.
- Currency:** Global currencies ended mixed as investors awaited rate decisions of major central banks (Fed and BoE). DXY ended lower by 0.3% led by disappointing US manufacturing print. AUD rose by 0.1% monitoring RBA rate decision. INR ended flat. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp, other global indices ended higher as investors monitored corporate earnings. Amongst other indices, Nikkei (2.6%) surged the most. Sensex rescaled the 60k mark and gained by 1.4% driven by real estate and metal stocks. It is trading higher today while other Asian stocks are trading mixed.

Dipanwita Mazumdar

dipanwita.mazumdar@bankofbaroda.com

+91 22 6698 5218



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.56	0	(8)	9	38	71
UK	1.06	3	(8)	6	54	84
Japan	0.10	0	(1)	3	8	5
Germany	(0.10)	0	1	12	39	54
India	6.39	0	4	14	19	50
China	2.94	(3)	(4)	7	11	(24)
2Y yields (Δ bps)						
US	0.50	0	6	24	33	34
UK	0.70	(1)	5	30	66	77
Japan	(0.10)	0	0	1	2	2
Germany	(0.61)	(2)	6	9	17	20
India	4.44	(2)	1	15	26	25
China	2.23	(1)	(6)	(9)	23	(52)
Currencies (Δ %)						
EUR	1.1606	0.4	0	0.1	(2.2)	(0.3)
GBP	1.3665	(0.1)	(0.7)	0.9	(1.6)	5.8
JPY	114.00	0	(0.3)	(2.7)	(4.3)	(8.9)
AUD	0.7526	0.1	0.5	3.7	2.2	6.7
INR	74.87	0	0.3	(1.0)	(0.7)	(0.6)
CNY	6.3977	0.1	(0.2)	0.7	1.0	4.4
Equity & Other indices (Δ %)						
Dow	35,914	0.3	0.5	4.6	3.1	33.4
FTSE	7,289	0.7	0.9	3.7	2.9	28.9
DAX	15,806	0.7	1.3	4.3	1.5	34.1
NIKKEI	29,647	2.6	3.7	3.0	6.7	27.3
Shanghai Comp	3,544	(0.1)	(1.8)	(0.7)	2.3	9.9
SENSEX	60,138	1.4	(1.4)	2.3	13.6	51.3
Brent (US\$/bbl)	84.71	0.4	(1.5)	6.8	16.2	117.4
Gold (US\$/oz)	1,793	0.6	(0.8)	1.8	(1.1)	(5.4)
CRB Index	572.7	0.3	0.7	3.0	1.5	40.0
Rogers Agri Index	1,159.8	1.4	2.5	4.5	8.4	48.3
LIBOR (3M)*	0.13	0	0	0	1	(9)
INR 5Y Swap*	5.90	(2)	(4)	13	9	73
India FII data (US\$ mn)						
	29 Oct	28 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	28.2	(68.2)	(16.1)	(145.4)	(70.3)	1,956.9
FII-Equity	(732.3)	(325.6)	(1,857.2)	(2,271.4)	6,258.6	(1,067.8)

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5218

chief.economist@bankofbaroda.com