

MACRO DAILY

02 September 2021

Macro developments

- India's GST collections for Jul'21 remained broadly steady at Rs 1.1tn versus Rs 1.2tn in Jun'21. Adjusted CGST rose to Rs 479bn in Jul'21 from Rs 337bn in Jun'21, while adjusted SGST eased from Rs 696bn in Jun'21 to Rs 601bn in Jul'21. On FYTD basis (Apr-Jul), total collections are at Rs 4.2tn versus Rs 3.3tn in FYTD21 and Rs 4tn in FYTD20 (pre-pandemic). Current monthly run rate is also higher at Rs 1.1tn versus Rs 1tn in FYTD20.
- India's manufacturing PMI expanded at a much slower pace of 52.3 in Aug'21 from 55.3 in Jul'21, signalling 'signs of weakness due to pandemic'. New orders expanded for the 2nd straight month at a much softer pace. Manufacturer's cost burden have risen for 13th straight month on account of supply side bottlenecks (scarcity of raw material and transportation). While the 1-year outlook for production remained positive, confidence level has faded.
- Global manufacturing PMI index eased to 54.1 in Aug'21 from 55.4 in Jul'21 as activity slowed in 24 out of 31 countries surveyed. Eurozone PMI slipped to 6-month low of 61.4 in Aug'21 from 62.8 in Jun'21 owing to severe supply constraints. However, new orders continued to improve for the 14th consecutive month, leading to sharp rise in backlog of orders. Elevated input prices also led to increase in selling prices. Separately, US ISM manufacturing index rose to 59.9 from 59.5 as new orders and production inched up, while employment fell.

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Markets

- Bonds:** Except Japan and Germany, other global yields closed lower. US and UK's 10Y yields fell by 2bps each. Investor sentiments were impacted by worries around US employment data (ADP print). Crude prices also declined by 1.9% (US\$ 71.6/bbl) owing to increase in inventories. India's 10Y yield closed 2bps lower at 6.2% supported by comments from RBI Governor that policy will remain accommodative to support growth. It is trading at 6.21% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% after US private payroll data came in lower than anticipated. EUR rose by 0.3% as escalated concerns over higher inflation persisted. INR depreciated by 0.1% despite Brent prices dropping by 1.9%. INR is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed led by weaker data print (Euro area PMI and US private payroll). While Dow and Dax ended lower by 0.1% each, Shanghai Comp surged by 0.7%. On the other hand, Sensex (0.4%) was dragged down by metal and technology stocks. However, 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	1.29	(2)	(5)	7	(29)	65
UK	0.69	(2)	10	13	(11)	46
Japan	0.03	1	1	1	(5)	(1)
Germany	(0.37)	1	5	9	(18)	10
India ^{AA}	6.20	(2)	(4)	0	19	28
China	2.82	(3)	(4)	(3)	(28)	(29)
2Y yields (Δ bps)						
US	0.21	0	(3)	3	6	8
UK	0.20	(2)	5	14	14	32
Japan	(0.12)	1	0	0	1	(1)
Germany	(0.71)	0	2	5	(5)	(1)
India ^A	4.08	(5)	(6)	(15)	(22)	(29)
China	2.23	(1)	(1)	23	(12)	(27)
Currencies (Δ %)						
EUR	1.1839	0.3	0.6	(0.3)	(3.0)	(0.1)
GBP	1.3770	0.1	0.1	(1.0)	(2.8)	3.1
JPY	110.01	0	0	(0.3)	(0.4)	(3.6)
AUD	0.7366	0.7	1.2	0.3	(5.0)	0.4
INR	73.09	(0.1)	1.6	1.8	0	(0.1)
CNY	6.4599	0	0.2	0	(1.2)	5.5
Equity & Other indices (Δ %)						
Dow	35,313	(0.1)	(0.3)	1.1	2.1	21.3
FTSE	7,150	0.4	0	1.7	0.6	20.3
DAX	15,824	(0.1)	(0.2)	1.8	1.4	19.5
NIKKEI	28,451	1.3	2.6	4.3	(1.7)	22.4
Shanghai Comp	3,567	0.7	0.8	5.0	(0.8)	4.8
SENSEX	57,338	(0.4)	2.5	9.0	10.6	46.7
Brent (US\$/bbl)	71.59	(1.9)	(0.9)	(6.2)	0.3	61.1
Gold (US\$/oz)	1,814	0	1.3	0	(5.0)	(6.6)
CRB Index	557.2	(0.4)	(0.6)	(0.9)	1.2	40.7
Rogers Agri Index	1,065.3	(0.5)	(2.0)	0.6	(1.1)	43.7
LIBOR (3M)*	0.12	0	0	0	(1)	(13)
INR 5Y Swap*	5.79	1	3	(1)	13	26
India FII data (US\$ mn)						
	31 Aug	30 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	220.0	37.9	257.9	1,619.3	(1,413.9)	613.4
FII-Equity	384.5	233.3	617.8	627.9	7,390.6	64.2

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

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