

MACRO DAILY

20 October 2021

Macro developments

- India's exports have risen by 40.5% to US\$ 15.1bn (YoY) between 1-14 Oct continuing the momentum seen in FYTD22. This was led by improvement in exports of petroleum, engineering goods and chemicals. In Sep'21, exports had risen by 22.6% to US\$ 33.8bn. In Oct'21 (1-14), imports increased by 60.7% to US\$ 14.8bn after surging to a record high of US\$ 56.4bn in Sep'21 (84.8% YoY). Trade deficit was at US\$ 8.7bn in Oct'21, compared with a record high of US\$ 22.6bn in Sep'21.
- RBI bought US\$ 3.7bn in the spot market (net) in Aug'21 compared with a purchase of US\$ 7.2bn in Jul'21. In FYTD22, RBI has bought US\$ 39.6bn in the spot market versus US\$ 34.3bn in the same period last year. In the forwards market, RBI bought US\$ 0.6bn in Aug'21 versus sale of US\$ 0.6bn in Jul'21. RBI's net outstanding forward position stands at US\$ 49.6bn as of Aug'21.
- US housing starts dropped unexpectedly by 1.7% in Sep'21 to its lowest since Apr'21 to 1.56mn units (est. 1.62mn units) from 1.58mn units in Aug'21. This was led by concerns over delivery timelines on the back of labor and raw material shortages, suggesting deepening economic slowdown. Even permits for homebuilding declined by 7.7% to a 1-year low of 1.58mn units in Sep'21.

Markets

- Bonds:** Barring Japan and China, other global yields closed higher. US and UK's 10Y yields ended higher by 4bps and 3bps respectively after Fed Governor Waller's comments on adopting 'aggressive policy response' in order to keep inflation in check. Crude prices rose by 0.9% to US\$ 85.1/bbl due to supply deficit exacerbated by energy crisis. India's 10Y yield is trading at an 18-month high of 6.39% today.
- Currency:** Except JPY and INR (lower), other global currencies closed higher against the dollar. DXY fell by 0.2% as US housing starts fell unexpectedly. GBP rose by 0.5% on rising expectations of a rate hike by BoE. AUD also rose by 0.9% despite dovish RBA minutes. INR is trading higher today in line with other Asian currencies.
- Equity:** Except Sensex, other global indices ended higher as investors monitored strong corporate earnings report. Both Nikkei and Shanghai Comp gained by 0.7% each followed by Dow (0.6%). However, Sensex snapped its 7-day winning streak and ended in red, led by losses in real estate and consumer durable stocks. It is trading lower today, while other Asian stocks are trading higher.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.64	4	6	28	42	85
UK	1.17	3	2	32	61	98
Japan	0.09	(1)	(1)	3	8	7
Germany	(0.11)	4	(2)	17	30	50
India	6.39	6	6	22	20	46
China	3.01	(3)	4	13	8	(19)
2Y yields (Δ bps)						
US	0.40	(3)	6	17	20	25
UK	0.73	1	17	44	64	80
Japan	(0.11)	0	0	2	2	2
Germany	(0.63)	0	4	7	9	16
India	4.31	(4)	4	23	5	7
China	2.31	0	2	(1)	34	(35)
Currencies (Δ %)						
EUR	1.1633	0.2	0.9	(0.8)	(1.3)	(1.6)
GBP	1.3797	0.5	1.5	0.4	1.2	6.6
JPY	114.38	(0.1)	(0.7)	(4.0)	(4.1)	(8.4)
AUD	0.7474	0.9	1.7	2.9	2.0	6.0
INR	75.35	(0.1)	0.2	(2.5)	(1.0)	(2.6)
CNY	6.3826	0.7	1.0	1.3	1.6	4.4
Equity & Other indices (Δ %)						
Dow	35,457	0.6	3.1	2.5	2.7	25.3
FTSE	7,218	0.2	1.2	3.6	4.9	22.6
DAX	15,516	0.3	2.4	0.2	2.0	21.8
NIKKEI	29,216	0.7	3.5	(4.2)	6.7	24.0
Shanghai Comp	3,593	0.7	1.3	(0.6)	1.6	8.0
SENSEX	61,716	(0.1)	2.4	4.6	18.2	52.2
Brent (US\$/bbl)	85.08	0.9	2.0	12.9	22.7	97.1
Gold (US\$/oz)	1,769	0.3	0.5	0.9	(2.3)	(7.2)
CRB Index	568.0	(0.1)	1.3	2.2	1.6	37.0
Rogers Agri Index	1,117.8	0	1.0	4.4	5.7	41.5
LIBOR (3M)*	0.13	1	0	1	(1)	(8)
INR 5Y Swap*	5.85	5	0	9	2	62
India FII data (US\$ mn)						
	14 Oct	13 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	(48.8)	8.5	(140.8)	(313.4)	(238.4)	1,788.9
FII-Equity	196.4	166.4	353.3	497.2	9,027.2	1,700.8

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | Note: Fixed income markets in India were closed yesterday

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