

MACRO DAILY

20 September 2021

Macro developments

- India's foreign exchange reserves fell from a historic high of US\$ 642.5bn to US\$ 641.1bn in the week ended 10 Sep 2021. Last week, forex reserves had risen by US\$ 8.9bn. In FYTD22, forex reserves have risen by US\$ 61.8bn compared with an accretion of US\$ 66.1bn in the same period last year.
- Retail sales in UK surprised negatively and declined by 0.9% in Aug'21 on a MoM basis, (est.: 0.5% increase) following a 2.8% decline in Jul'21. Sales of food stores fell by 1.2% as Covid-19 restriction were eased, and hospitality sector gained momentum. Sales of non-food stores fell by 1%, led by drop in sales of department stores (3.7%) and sports equipment and computer stores (1.2%). Despite the decline, retail sales are 4.6% higher than in Feb'20 (pre-pandemic).
- Euro Area CPI rose to 3% in Aug'21 from 2.2% in Jul'21, on a YoY basis. This was led by higher prices of energy (15.4% versus 14.3%) and non-energy industrial goods (2.6% versus 0.7%). Prices of food, alcohol and tobacco (2% versus 1.6%) and services (1.1% versus 0.9%) also increased. Country-wise, inflation remained elevated in Germany (3.4% versus 3.1%), Spain (3.3% versus 2.9%) and France (2.4% versus 1.5%).

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Markets

- Bonds:** Global yields closed mixed ahead of policy decisions of major Central Banks. UK's 10Y yield rose the most by 3bps (0.85%) followed by US and Germany (+2bps each). China's 10Y yield fell by 1bps to 2.88% due to rising Covid-19 cases. Crude prices fell by 0.4% (US\$ 75/bbl) due to increase in US rig count. India's 10Y yield closed flat at 6.17%. It is trading lower at 6.16% today.
- Currency:** Except INR (flat), other global currencies ended lower against the dollar. DXY rose by 0.3% awaiting result of the FOMC meeting. GBP depreciated by 0.4% as UK's retail sales fell in Aug'21. EUR fell by 0.4% as Euro Area's inflation surged to a 10-year high in Aug'21. INR is trading lower today, while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Shanghai Comp, other indices ended in red on the back of slower global economic recovery. European indices dropped the most led by disappointing retail sales print from UK. Sensex (0.2%) too ended in red led by metal and real estate stocks. It is trading further lower today in line with other Asian indices.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.36	2	2	10	(8)	67
UK	0.85	3	9	28	9	66
Japan	0.05	0	1	4	(1)	4
Germany	(0.28)	2	5	19	(8)	21
India ^{AA}	6.17	0	(1)	(7)	16	15
China	2.88	(1)	1	0	(27)	(24)
2Y yields (Δ bps)						
US	0.22	0	1	1	(3)	8
UK	0.29	0	6	14	16	40
Japan	(0.12)	1	0	0	0	2
Germany	(0.70)	1	1	4	(3)	0
India ^A	4.08	(2)	0	(9)	(60)	(36)
China	2.33	0	6	39	(14)	(28)
Currencies (Δ %)						
EUR	1.1725	(0.4)	(0.8)	0.1	(1.2)	(1.0)
GBP	1.3741	(0.4)	(0.7)	0	(0.5)	6.4
JPY	109.93	(0.2)	0	(0.3)	0.3	(5.1)
AUD	0.7279	(0.2)	(1.0)	0.4	(2.7)	(0.1)
INR	73.49	0	0	1.2	0.5	0
CNY	6.4661	(0.1)	(0.3)	0.3	(0.2)	4.5
Equity & Other indices (Δ %)						
Dow	34,585	(0.5)	(0.1)	(2.1)	3.9	25.0
FTSE	6,964	(0.9)	(0.9)	(3.0)	(0.8)	15.9
DAX	15,490	(1.0)	(0.8)	(2.7)	0.3	18.1
NIKKEI	30,500	0.6	0.4	11.2	5.3	30.6
Shanghai Comp	3,614	0.2	(2.4)	4.8	2.5	8.3
SENSEX	59,016	(0.2)	1.2	5.8	12.7	51.9
Brent (US\$/bbl)	75.34	(0.4)	3.3	9.1	2.5	74.6
Gold (US\$/oz)	1,754	0	(1.9)	(1.8)	(0.6)	(10.1)
CRB Index	555.5	(0.1)	(0.1)	(1.9)	0.2	35.4
Rogers Agri Index	1,071.2	(0.2)	1.6	(1.9)	4.2	40.5
LIBOR (3M)*	0.12	0	1	(1)	(1)	(10)
INR 5Y Swap*	5.76	1	(1)	(4)	6	17
India FII data (US\$ mn)						
	16 Sep	15 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	124.6	(13.5)	95.0	423.1	(990.8)	1,036.5
FII-Equity	250.5	113.0	776.6	1,154.1	8,544.7	1,218.3

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

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