

MACRO DAILY

21 September 2021

Macro developments

- Net EPFO subscribers in India rose to 1.5mn in Jul'21 from 1.1mn in Jun'21, with new subscribers inching up to 0.9mn from 0.85mn in Jun'21. In FYTD22 so far (Apr-Jul) new subscribers have increased by 3.2mn versus 1.8mn increase in FYTD21 and 4.5mn in FYTD20 (pre-pandemic). Net subscribers on the other hand are far above (4.1mn in FYTD22) than the pre-pandemic levels of 2.1mn in FYTD20. State-wise, Maharashtra, Haryana and Gujarat lead the additions in net subscriber base.
- Germany's PPI accelerated to 12% in Aug'21-a 45 year high from 10.4% increase in Jul'21 and estimate of 11.1% rise. This was led by a steep 24% jump in energy prices. Prices of intermediate goods rose the most by 17.1%. Modest increases were also witnessed in prices of durable consumer goods (2.8%), capital goods (2.4%) and non-durable consumer goods (2.1%). On MoM basis, PPI rose by 1.5% in Aug'21 (est. 0.8%), compared with 1.9% in Jul'21.
- RBA in its minutes highlighted that global economic recovery remains uncertain. On domestic front, members expect GDP to decline materially in Q3CY21; showing the impact of delta variant. Improvement in labour market is also expected to be delayed. In the base case, activity was expected to return to its pre-delta path in H2CY22, with health situation being the key risk. Against this backdrop, asset purchases would be at AUD 4bn/week till at least Feb'22 (earlier AUD 5bn/week till Nov'21).

Markets

- Bonds:** Except Japan (stable), global yields closed lower ahead of BoJ and Fed meeting. Investors also eyed Evergrande's failure which might pose systemic risk to China's economy. US and UK's 10Y yield fell the most by 5bps each. Crude prices fell by 1.9% (US\$ 74/bbl). India's 10Y yield fell by 3bps (6.14%) supported by buying from FPI. It is trading flat today.
- Currency:** Except EUR (flat) and JPY (higher), other global currencies ended lower against the dollar. DXY and JPY rose on safe-haven demand amidst concerns over default by China's Evergrande. GBP depreciated the most by 0.6%. INR depreciated by 0.4% despite lower oil prices. However, it is trading higher today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp and Nikkei, global indices ended lower amidst news of possible default by Chinese property developer. Investors also await Fed's meeting scheduled later this week. Dax (2.3%) dropped the most followed by Dow (1.8%). Sensex (0.9%) ended in red dragged down by metal and real estate stocks. It is trading higher today while other Asian stocks are trading mixed.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

+91 22 6698 5239



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.31	(5)	(2)	6	(18)	64
UK	0.79	(5)	5	27	3	64
Japan	0.05	0	1	4	0	4
Germany	(0.32)	(4)	1	18	(15)	21
India ^{AA}	6.14	(3)	(5)	(10)	11	12
China	2.88	(1)	(1)	3	(23)	(22)
2Y yields (Δ bps)						
US	0.22	(1)	0	(1)	(4)	8
UK	0.26	(3)	3	16	13	38
Japan	(0.12)	0	(2)	0	(1)	2
Germany	(0.72)	(2)	(1)	3	(7)	1
India ^A	4.08	(2)	(4)	(4)	(67)	(36)
China	2.33	0	6	42	(14)	(28)
Currencies (Δ %)						
EUR	1.1726	0	(0.7)	0.2	(1.6)	(0.4)
GBP	1.3657	(0.6)	(1.3)	0.2	(2.0)	6.6
JPY	109.44	0.4	0.5	0.3	0.8	(4.6)
AUD	0.7252	(0.2)	(1.6)	1.7	(3.8)	0.4
INR	73.74	(0.4)	(0.1)	0.9	0.5	(0.5)
CNY	6.4661	(0.1)	(0.2)	0.5	0	5.0
Equity & Other indices (Δ %)						
Dow	33,970	(1.8)	(2.6)	(3.3)	0.3	25.1
FTSE	6,904	(0.9)	(2.3)	(2.6)	(2.2)	18.9
DAX	15,132	(2.3)	(3.6)	(4.3)	(3.0)	20.6
NIKKEI	30,500	0.6	0.2	12.9	8.9	30.6
Shanghai Comp	3,614	0.2	(2.7)	5.4	2.4	9.0
SENSEX	58,491	(0.9)	0.5	5.7	11.3	53.8
Brent (US\$/bbl)	73.92	(1.9)	0.6	13.4	(1.3)	78.4
Gold (US\$/oz)	1,764	0.6	(1.6)	(1.0)	(1.1)	(7.8)
CRB Index	550.6	(0.9)	(0.8)	(1.7)	(0.7)	35.0
Rogers Agri Index	1,055.2	(1.5)	0.2	(0.9)	2.6	41.1
LIBOR (3M)*	0.12	0	1	0	(1)	(10)
INR 5Y Swap*	5.75	(1)	1	(8)	7	19
India FII data (US\$ mn)						
	17 Sep	16 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	9.3	124.6	104.3	432.4	(981.5)	1,045.8
FII-Equity	244.4	250.5	1,021.0	1,398.5	8,789.0	1,462.7

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

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 5239

chief.economist@bankofbaroda.com