

MACRO DAILY

23 September 2021

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 123bn and stood at Rs 29.4tn for the week ending 17 Sep 2021. Reserve money rose by 15.2% on a YoY basis, compared with 14.8% last year. On FYTD basis, reserve money increased by 3.1% against 6.3% increase, a year ago.
- US Fed in its recent policy showed a hawkish bias, with 9 out of 18 Fed officials expecting a rate hike in CY22. FOMC projections also elucidate the same with inflation (PCE) estimate for CY21 revised sharply upwards to 4.2% from 3.4% earlier. The statement also notes that “moderation in the pace of asset purchases may soon be warranted”. Projection for unemployment rate in CY21 has been revised upwards to 4.8% from 4.5% earlier. However, GDP forecast has been revised downwards to 5.9% from 7% earlier.
- Flash PMIs for Australia indicates manufacturing activity recovered sharply in Sep'21 (57.3) compared with Aug'21 (52), with improvement in new orders and employment. However, supply constraints and shortage of raw materials continues to pressurise input prices. On the other hand, services activity remained in contraction albeit the pace slowed as PMI rose to 44.9 from 42.9. Continued restrictions owing to Covid-19 spread, dented activity with decline in new orders. Employment picked up driven by year ahead optimism.

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Markets

- **Bonds:** Except Japan (stable), global yields closed lower amidst concerns of potential default by China's property developer Evergrande. Despite a hawkish signal by Fed, US 10Y yield fell by 2bps (1.3%) as no specific timetable for tapering of asset purchase program has been mentioned. Crude prices rose by 2.5% (US\$ 76/bbl) due to supply constraints in the US Gulf of Mexico. Thus, India's 10Y yield rose by 2bps (6.14%). It is trading flat today.
- **Currency:** Except AUD (higher), other global currencies closed lower against the dollar. DXY rose by 0.3% amidst hawkish comments from Fed. JPY fell the most by 0.5%. INR depreciated by 0.2% as oil prices rose by 2.5%. However it is trading higher today, while other Asian currencies are trading lower.
- **Equity:** Barring Nikkei and Sensex, other global indices ended higher as investors monitored the ongoing Evergrande crisis. Fed while holding policy rates noted the tapering of asset purchase may begin soon, which has already been factored by the markets. FTSE (1.5%) surged the most followed by Dow and Dax (up by 1% each). However, Sensex (0.1%) ended in red led by banking stocks. It is trading higher today in line with other Asian stocks.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.30	(2)	0	5	(18)	63
UK	0.80	(1)	2	28	2	58
Japan	0.04	0	0	3	(2)	3
Germany	(0.32)	(1)	(2)	17	(15)	18
India ^{AA}	6.14	2	(2)	(9)	12	15
China	2.86	(3)	(4)	2	(23)	(23)
2Y yields (Δ bps)						
US	0.24	2	3	1	(3)	10
UK	0.28	0	2	18	19	33
Japan	(0.12)	1	1	0	(1)	3
Germany	(0.71)	0	(1)	4	(6)	(1)
India ^A	4.14	4	4	2	(63)	(29)
China	2.31	(1)	(2)	41	(14)	(27)
Currencies (Δ %)						
EUR	1.1687	(0.3)	(1.1)	(0.1)	(2.0)	0.2
GBP	1.3622	(0.3)	(1.6)	0	(2.4)	7.1
JPY	109.78	(0.5)	(0.4)	0	1.1	(4.2)
AUD	0.7247	0.2	(1.2)	1.6	(4.3)	2.5
INR	73.87	(0.3)	(0.5)	0.7	0.6	(0.4)
CNY	6.4622	(0.1)	(0.5)	0.6	0.2	5.1
Equity & Other indices (Δ %)						
Dow	34,258	1.0	(1.6)	(2.5)	1.1	28.0
FTSE	7,083	1.5	1.0	(0.1)	0.1	20.1
DAX	15,507	1.0	(0.7)	(1.9)	0.3	22.7
NIKKEI	29,639	(0.7)	(2.9)	9.7	2.6	27.0
Shanghai Comp	3,628	0.6	(0.8)	5.9	1.7	10.6
SENSEX	58,927	(0.1)	0.3	6.5	12.7	56.4
Brent (US\$/bbl)	76.19	2.5	1.0	16.9	1.3	82.4
Gold (US\$/oz)	1,768	(0.4)	(1.4)	(0.7)	(0.6)	(5.1)
CRB Index	549.6	0.5	(1.5)	(1.9)	(0.6)	36.1
Rogers Agri Index	1,068.3	1.2	(0.7)	0.3	3.7	43.2
LIBOR (3M)*	0.13	1	1	0	(2)	(10)
INR 5Y Swap*	5.74	0	0	(9)	8	25
India FII data (US\$ mn)						
	21 Sep	20 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	46.0	87.7	133.6	566.0	(847.8)	1,179.4
FII-Equity	181.2	10.8	192.0	1,590.4	8,981.0	1,654.7

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

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