

MACRO DAILY

24 November 2021

Macro developments

- E-way generation in India is seeing some moderation in Nov'21, owing to post festive demand lull. Daily e-way bills generated in Nov'21 averaged 1.9mn till 21 Nov 2021, compared with 2.3mn averaged till 24 Oct 2021 and 2.2mn averaged till 26 Sep 2021. This implies that while GST collections for Oct'21 will be robust, following Rs 1.3tn (2nd highest on record) collected for Sep'21, collections for Nov'21 are expected to soften.
- Reserve Bank of New Zealand has raised policy rate for the second time in two months, by another 0.25% to 0.75%. Notably, its neutral level of rate, at which monetary policy would neither stimulate nor restrict the economy, is projected to be higher at 2.6% by Dec'23 (against 2.1% estimated earlier). Further, CPI is expected to rise above 5% in the near-term before reverting to the 2% target by end of CY23.
- Global manufacturing activity improved in the Eurozone, US and Japan in Nov'21, led by a pickup in new orders. Manufacturing PMI in Eurozone (58.6 from 58.3 in Oct'21) and US (59.1 from 58.4) rose to a 2-month high. In Japan, manufacturing PMI rose to a ~4-year high of 54.2 from 53.2 (Oct'21). Output prices rose to a record-high in US and Eurozone. On the other hand, while services PMI picked up in Eurozone (56.6 versus 54.6) and Japan (52.1 versus 50.7), it moderated in the US (57 versus 58.7). Both manufacturing and services firms reported stronger input price inflation across economies.

Markets

- **Bonds:** Except Japan and China (stable), global yields closed higher. Germany's 10Y yield rose the most by 8bps (-0.22%) as flash services PMI improved. US 10Y yield rose by 4bps (1.67%) as hawkish bets reigned in with Fed Chair's reappointment. Crude prices rose by 3.3% (US\$ 82/bbl) despite release of strategic reserves by major nations. Thus, India's 10Y yield rose by 1bps (6.37%). It is trading flat today.
- **Currency:** Global currencies closed mixed. EUR rose by 0.1% as Eurozone's manufacturing and services activity picked up in Nov'21. On the other hand, DXY fell by 0.1% as US services PMI fell. INR and AUD closed flat. INR is trading further lower today, while other Asian currencies are trading mixed.
- **Equity:** Barring Dax, other global indices ended higher, as investors monitored global manufacturing PMIs and news of Fed Chair's reappointment. Amongst other indices, Dow (0.5%) gained the most. Sensex snapped its 4-day losing streak and rose by 0.3%, led by gains in metals and power stocks. It is trading higher today, while other Asian stocks are trading mixed.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

+91 22 6698 5218



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.67	4	3	3	37	79
UK	1.00	6	1	(15)	46	67
Japan	0.08	0	0	(2)	6	5
Germany	(0.22)	8	2	(12)	26	34
India	6.37	1	0	0	12	48
China	2.92	0	0	(8)	6	(40)
2Y yields (Δ bps)						
US	0.61	3	10	16	39	45
UK	0.60	6	(1)	(7)	47	61
Japan	(0.13)	0	(2)	(3)	(2)	0
Germany	(0.73)	1	0	(9)	2	1
India	4.55	1	2	17	41	66
China	2.50	0	(1)	(3)	4	(59)
Currencies (Δ %)						
EUR	1.1248	0.1	(0.6)	(3.4)	(4.3)	(5.4)
GBP	1.3378	(0.1)	(0.4)	(2.7)	(2.6)	0.2
JPY	115.14	(0.2)	(0.3)	(1.4)	(5.0)	(10.2)
AUD	0.7228	0	(1.0)	(3.2)	(0.4)	(1.8)
INR	74.42	0	(0.1)	0.6	(0.3)	(0.6)
CNY	6.3920	(0.1)	0	(0.1)	1.2	3.0
Equity & Other indices (Δ %)						
Dow	35,814	0.5	(0.9)	0.4	1.3	19.2
FTSE	7,267	0.2	(0.8)	0.9	2.0	13.0
DAX	15,937	(1.1)	(1.9)	2.5	0.2	19.9
NIKKEI	29,774	0.1	(0.1)	3.4	7.4	16.6
Shanghai Comp	3,589	0.2	1.9	0.2	2.1	5.5
SENSEX	58,664	0.3	(2.7)	(3.5)	4.8	31.8
Brent (US\$/bbl)	82.31	3.3	(0.1)	(3.8)	15.8	72.0
Gold (US\$/oz)	1,789	(0.9)	(3.3)	(0.2)	(0.8)	(1.0)
CRB Index	572.1	0.4	0.6	0.6	2.2	33.9
Rogers Agri Index	1,194.9	0.5	2.5	6.3	10.1	43.7
LIBOR (3M)*	0.17	1	1	4	5	(6)
INR 5Y Swap*	5.93	(2)	3	0	16	74
India FII data (US\$ mn)						
	22 Nov	18 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(14.9)	150.9	(14.9)	466.3	396.0	2,423.2
FII-Equity	(283.6)	316.2	(283.6)	2,653.6	8,912.2	1,585.9

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps

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 5218

chief.economist@bankofbaroda.com