

## MACRO DAILY

24 September 2021

### Macro developments

- India's exports are expected to reach US\$ 190bn in H1FY22 registering a growth rate of over 51% on a YoY basis and 19% on a 2-year basis. The strong export performance can be attributed to demand from advanced countries and higher commodity prices. In FYTD22 (Apr-Aug'21), exports have risen to US\$ 164.2bn registering a growth of 82.8% (YoY) and 23.3% (2-year). Notably, government has set an ambitious target of US\$ 400bn exports in FY22.
- Bank of England (BoE) kept policy rate unchanged and maintained its asset purchase program at £ 895bn. However, there was a hawkish tilt in the policy as 2 MPC members voted for early tapering. CPI inflation is likely to remain elevated at 4% in Q4CY21, with upside risks due to higher energy prices. Growth forecast for Q3CY21 has been revised down to 2.1% from 2.9%. Labour market uncertainty persists due to closure of the furlough scheme in Sep'21.
- Global flash PMIs indicate that both manufacturing and services activity slowed in the US, Eurozone and UK in Sep'21. US manufacturing PMI is down to 60.5 from 61.1 in Aug'21, while services PMI is at 54.4 versus 55.1. Services activity was marred by slowdown in new export orders, while shortage of raw materials impacted manufacturing sector. In Eurozone, apart from supply bottlenecks, slowdown in new orders and employment in both manufacturing (58.7 versus 61.4) and services (56.3 versus 59) impacted the headline prints.

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### Markets

- Bonds:** US 10Y yield rose the most by 13bps (1.43%) supported by Fed's hawkish policy as reflected in its projections. UK's 10Y yield rose by 11bps (0.91%) as BoE noted that inflation is likely to remain elevated till Q2CY22. Crude prices rose by 1.4% (US\$ 77/bbl) due to supply constraints. India's 10Y yield closed flat at 6.14%. It is trading higher at 6.17% today, amidst disappointing auction results.
- Currency:** Except JPY (lower), other global currencies closed higher. DXY fell by 0.4% as US jobless claims rose unexpectedly. GBP rose by 0.7% on hopes of a rate hike sooner than expected. INR rose by 0.3% supported by global cues even as oil prices were higher. However it is trading lower today, in line with other Asian currencies.
- Equity:** Barring FTSE and Nikkei, other global indices ended higher. Investors monitored BoE's hawkish comments and also noted news reports of Chinese authorities preparing restructuring of Evergrande. Sensex (1.6%) surged the most followed by Dow (1.5%). The gains in domestic market were led by real estate and banking stocks. It is trading at record high today, while other Asian stocks are trading mixed.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.43	13	9	18	(6)	76
UK	0.91	11	9	37	17	69
Japan	0.04	0	(1)	2	(2)	3
Germany	(0.26)	7	4	22	(7)	24
India <sup>AA</sup>	6.14	0	(3)	(10)	13	15
China	2.86	0	(3)	(1)	(23)	(23)
<b>2Y yields (Δ bps)</b>						
US	0.26	2	4	4	(1)	13
UK	0.39	11	10	27	32	43
Japan	(0.12)	0	1	0	(1)	2
Germany	(0.69)	2	1	6	(4)	1
India <sup>A</sup>	4.12	(2)	2	(1)	(65)	(31)
China	2.32	0	(1)	41	(9)	(27)
<b>Currencies (Δ %)</b>						
EUR	1.1739	0.4	(0.2)	(0.1)	(1.6)	0.6
GBP	1.3720	0.7	(0.5)	0	(1.5)	7.6
JPY	110.33	(0.5)	(0.5)	(0.6)	0.5	(4.7)
AUD	0.7295	0.7	0	1.2	(3.8)	3.5
INR	73.64	0.3	(0.2)	0.8	0.7	0.4
CNY	6.4589	0.1	0	0.4	0.2	5.4
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,765	1.5	0	(1.6)	1.7	29.6
FTSE	7,078	(0.1)	0.7	(0.4)	(0.4)	21.6
DAX	15,644	0.9	0	(1.3)	0.4	24.1
NIKKEI	29,639	(0.7)	(2.3)	7.8	2.6	28.4
Shanghai Comp	3,642	0.4	1.0	4.7	2.1	13.0
SENSEX	59,885	1.6	1.3	7.8	13.6	63.8
Brent (US\$/bbl)	77.25	1.4	2.1	12.4	2.2	84.2
Gold (US\$/oz)	1,743	(1.4)	(0.6)	(3.5)	(1.8)	(6.7)
CRB Index	550.8	0.2	(0.9)	(1.6)	(0.5)	36.9
Rogers Agri Index	1,078.6	1.0	0.5	0.6	5.0	45.3
LIBOR (3M)*	0.13	0	1	0	(2)	(10)
INR 5Y Swap*	5.72	(2)	(3)	(12)	4	22
<b>India FII data (US\$ mn)</b>						
	<b>22 Sep</b>	<b>21 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	44.2	46.0	177.8	610.2	(803.7)	1,223.6
FII-Equity	(213.5)	181.2	(21.5)	1,377.0	8,767.5	1,441.2

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

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