

MACRO DAILY

26 August 2021

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 64bn and stood at Rs 29.5tn for the week ending 20 Aug 2021. Reserve money rose by 16.7% on a YoY basis, compared with 15% last year. On FYTD basis, reserve money increased by 3.5% against 5.4% increase, a year ago.
- US durable goods orders fell by 0.1% in Jul'21 (est. -0.3%) compared with an increase of 0.8% in Jun'21 on a MoM basis. This was led by a 2.2% decline in transport equipment versus an increase of 1.4% in Jun'21. Orders for core capital goods was flat (0%) in Jul'21 (est. 0.5%) following an increase of 1% in Jun'21. This was attributed to supply chain bottlenecks and shift in demand towards services.
- Central Bank of Korea (BoK) increased its policy rate by 25bps to 0.75% in its latest meeting, a first in nearly 3 years. It informed that the decision was not unanimous and some members argued to keep rates steady in view of rising Covid-19 cases. However, rising inflation, surge in home prices and household debt, necessitated the increase in policy rate. While inflation forecast was revised upward to 2.1% (2% target of the Central Bank), growth forecast was left unchanged at 4% for CY21.

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Markets

- **Bonds:** Except China (stable), global yields closed higher. UK's 10Y yield rose the most by 6bps (0.6%) supported by sharpest increase in spending in 7-years by UK retailers. US 10Y yield rose by 5bps (1.34%) ahead of Jackson Hole meeting. Crude prices rose by 1.7% (US\$ 72/bbl) supported by falling Covid-19 cases in China. India's 10Y yield fell by 1bps (6.24%) supported by Governor's comments.
- **Currency:** Global currencies closed mixed. DXY fell by 0.1% on the back of improvement in risk-sentiment as concerns over Delta variant faded. JPY also fell by 0.3%. On the other hand, AUD, GBP and EUR gained. INR depreciated by 0.1% as oil prices rose. It is trading further lower today in line with other Asian currencies.
- **Equity:** Global indices ended mixed as investors turned their focus towards upcoming Jackson Hole meeting scheduled later today. Amongst other indices, while Shanghai Comp surged by 0.7%, Dax (0.3%) ended in red. After scaling fresh-all time high, Sensex ended flat with power and oil and gas stocks inching up further. It is trading higher today, while Asian stocks are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.34	5	8	6	(24)	65
UK	0.60	6	3	1	(16)	30
Japan	0.02	1	0	1	(5)	(2)
Germany	(0.42)	6	6	0	(22)	(1)
India ^{AA}	6.24	(1)	2	1	27	5
China	2.86	0	1	(5)	(21)	(19)
2Y yields (Δ bps)						
US	0.24	2	2	4	9	9
UK	0.15	2	1	7	12	16
Japan	(0.12)	(1)	2	1	1	(2)
Germany	(0.73)	1	1	(1)	(7)	(9)
India ^A	4.13	(1)	(2)	(11)	(16)	(35)
China	2.24	34	34	29	(8)	(25)
Currencies (Δ %)						
EUR	1.1772	0.1	0.5	0.0	(3.4)	(0.5)
GBP	1.3763	0.2	0.1	0.1	(2.5)	4.2
JPY	110.02	(0.3)	(0.2)	0.5	(0.8)	(3.8)
AUD	0.7276	0.2	0.6	(1.2)	(6.0)	0.6
INR	74.24	(0.1)	0	0.2	(2.0)	0.1
CNY	6.4757	(0.1)	0.1	0.1	(1.3)	6.0
Equity & Other indices (Δ %)						
Dow	35,406	0.1	1.3	1.0	3.2	25.0
FTSE	7,150	0.3	(0.3)	1.7	1.8	18.3
DAX	15,861	(0.3)	(0.7)	1.2	2.7	20.2
NIKKEI	27,725	0	0.5	0.6	(3.2)	19.0
Shanghai Comp	3,540	0.7	1.6	(0.3)	(1.5)	6.3
SENSEX	55,944	0	0.6	5.6	9.7	43.2
Brent (US\$/bbl)	72.25	1.7	5.9	(2.5)	4.9	58.3
Gold (US\$/oz)	1,791	(0.7)	0.2	(0.6)	(5.6)	(8.4)
CRB Index	560.5	0.1	(1.0)	0.1	4.4	43.5
Rogers Agri Index	1,087.1	0.2	(0.8)	2.7	5.2	48.8
LIBOR (3M)*	0.12	(1)	(1)	(1)	(1)	(13)
INR 5Y Swap*	5.76	(1)	(6)	(7)	9	15
India FII data (US\$ mn)						
	24 Aug	23 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	16.3	(18.8)	(2.5)	95.7	(3,157.5)	(1,130.2)
FII-Equity	(4.1)	(182.4)	(186.5)	901.6	7,279.8	(46.6)

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

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