

## MACRO DAILY

27 October 2021

### Macro developments

- As per CMIE data, India's unemployment rate shot up to 7.97% as on 26 Oct 2021 from 7.53% in the previous week. This was led by inching up of rural unemployment rate to 8.14% from 7.45% in the previous week. Urban unemployment rate, moderated to 7.6% from 7.72%. Notably, MGNREGA has already seen a decline in work demand due to shift towards other non-farm jobs on account of normalisation of economic activity.
- China's industrial profits rose by 16.3% in Sep'21 compared with 10.1% rise in Aug'21. Marked improvement is led by mining and raw material industries, which have seen sharp rise in prices. However, profits of other downstream manufacturing industries have suffered due to higher prices. Profits of power firms have fallen the most in CYTD21 (Jan-Sep) by 24.6%. To deal with this, from Oct'21 government has allowed retail power prices to increase upto 20%.
- US Conference Board consumer confidence rose unexpectedly to 113.8 in Oct'21 (est. 108.5) from 109.8 in Sep'21. Consumer sentiment were buoyed by improvement in labour market prospects even as inflation expectations rose to a 13-year high. The survey showed that consumers are more willing to spend on items such as automobiles and consumer durables. Separately, US new home sales rose by 14% (MoM) in Sep'21 to a 6-month high of 800k units (est. 756k) compared with 702k in Aug'21.

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### Markets

- Bonds:** Global yields closed mixed as investors awaited policy decision of major central banks (ECB, Bank of Canada, BoJ). Despite better macro prints, US 10Y fell by 2bps (1.61%). Germany and Japan's 10Y yield closed flat. Crude prices rose by 0.5% (US\$ 86/bbl) even as US inventory rose more than expected. India's 10Y yield rose by 1bps (6.36%) due to lack of OMO/special OMO announcements by RBI. It is trading flat today.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% supported by better than expected US macro data (new home sales, consumer confidence). JPY ended lower by 0.4% ahead of BoJ policy meet. EUR depreciated by 0.1% on reports of downward revision to Germany's official growth forecast for CY21. INR rose by 0.2% despite higher oil prices. It is trading further higher today while other Asian currencies are trading lower.
- Equity:** Barring Shanghai Comp (lower) and Dow (flat), other global indices ended higher as investors awaited monetary policy announcements from central banks. Amongst other indices, Nikkei (1.8%) gained the most. Sensex reversed its losses and rose by 0.6% led by real estate stocks. It is trading higher today while other Asian stocks are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.61	(2)	(3)	16	37	84
UK	1.11	(3)	(6)	19	55	88
Japan	0.11	0	2	5	9	8
Germany	(0.12)	0	(1)	11	32	50
India	6.36	1	(3)	18	19	52
China	2.98	(1)	(3)	11	5	(19)
<b>2Y yields (Δ bps)</b>						
US	0.44	0	4	17	24	29
UK	0.63	(2)	(11)	24	55	68
Japan	(0.10)	0	1	0	3	3
Germany	(0.66)	1	(3)	3	9	12
India	4.43	0	12	27	19	23
China	2.27	(2)	(4)	(6)	34	(40)
<b>Currencies (Δ %)</b>						
EUR	1.1596	(0.1)	(0.3)	(1.1)	(1.9)	(1.7)
GBP	1.3767	0	(0.2)	0.6	(0.8)	5.5
JPY	114.16	(0.4)	0.2	(3.1)	(4.0)	(9.3)
AUD	0.7501	0.1	0.4	3.3	1.9	5.2
INR	74.96	0.2	0.5	(1.7)	(0.7)	(1.7)
CNY	6.3833	0	0	1.3	2.0	4.8
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,757	0	0.8	2.8	2.0	30.2
FTSE	7,278	0.8	0.8	3.2	4.0	27.0
DAX	15,757	1.0	1.6	1.5	1.5	30.6
NIKKEI	29,106	1.8	(0.4)	(3.8)	4.1	23.9
Shanghai Comp	3,598	(0.3)	0.1	(0.4)	6.4	10.5
SENSEX	61,350	0.6	(0.6)	2.2	16.7	51.4
Brent (US\$/bbl)	86.40	0.5	1.6	10.6	16.0	109.7
Gold (US\$/oz)	1,793	(0.8)	1.3	2.4	(0.3)	(6.0)
CRB Index	568.9	0	0.2	2.9	1.3	37.3
Rogers Agri Index	1,134.6	0.2	1.5	4.7	6.8	41.8
LIBOR (3M)*	0.13	1	1	0	0	(8)
INR 5Y Swap*	5.91	(3)	6	15	10	68
<b>India FII data (US\$ mn)</b>						
	<b>25 Oct</b>	<b>22 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	47.7	293.8	47.7	(81.6)	(6.6)	2,020.7
FII-Equity	(253.1)	(372.4)	(253.1)	(667.2)	7,862.7	536.4

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

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