

MACRO DAILY

27 September 2021

Macro developments

- As per CMIE data, unemployment rate in India (30-day moving average) dropped to its lowest since 4 Aug 2021 to 7.12% as of 24 Sep 2021 from 7.57% in the previous week. This was led by moderation in both urban (8.88% from 9.05%) and rural unemployment rate (6.32% from 6.88%). Further with vaccination gaining pace and Covid-19 curve flattening, this print is likely to improve further in the near term.
- Japan's services PPI eased marginally to 1% in Aug'21 from 1.1% in Jul'21. This was led by moderation in advertising (9.4% in Aug'21 from 9.9%), civil engineering, and agricultural services (2.4% in Aug'21 from 3.1%). Leasing and rental services contracted further by 0.2% (0.1% in Jul'21). On the other hand, prices of financial (+0.8% in Aug'21 from -0.1%) and transportation and postal services (1.7% in Aug'21 from 1.6%) accelerated.
- New home sales growth in the US eased to 1.5% (MoM) in Aug'21 from 6.4% in Jul'21. On YoY basis, sales were down by 13.4% in Aug'21 as median prices remained high and were up by 14.9% in Aug'21. Prices have been impacted by falling inventory, which in turn is under pressure due to shortage of raw material and labour. In Aug'21 inventory of homes (1.29mn) was down to 2.6 months compared with 3 months in Aug'20. Steady demand and lower mortgage rates are expected to boost sales with replenishing inventories and softening prices.

Markets

- Bonds:** Global yields closed higher. Germany's 10Y yield rose the most by 3bps (-0.23%) as business climate index was in line with estimates. US 10Y yield rose by 2bps (1.45%) as investors await Fed Chair's testimony before the Congress. Crude prices rose by 1.1% (US\$ 78.1/bbl-highest since Oct'18) due to supply constraints. Thus, India's 10Y yield rose by 4bps (6.18%). It is trading at 6.20% today, ahead of the release of centre's H2 borrowing calendar.
- Currency:** Global currencies closed lower. AUD (0.5%), JPY (0.4%) and GBP (0.3%) depreciated the most. DXY rose by 0.3% owing to hawkish tilt of the Fed. INR too fell by 0.1% as oil prices rose by 1.1%. However it is trading higher today, in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors continued to monitor developments surrounding Evergrande. Shanghai Comp (0.8%) dropped the most followed by Dax (0.7%). Amongst other indices, Nikkei (2.1%) surged the most. Sensex (0.3%) too ended in green led by real estate and IT stocks. However, it is trading lower today in line with other Asian stocks.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.45	2	9	10	(7)	80
UK	0.93	2	8	33	15	74
Japan	0.06	2	1	3	1	5
Germany	(0.23)	3	5	18	(7)	30
India ^{AA}	6.18	4	1	(7)	15	14
China	2.87	1	(1)	(2)	(23)	(26)
2Y yields (Δ bps)						
US	0.27	1	5	3	0	14
UK	0.38	0	9	24	30	45
Japan	(0.10)	2	2	2	1	5
Germany	(0.69)	0	1	5	(4)	2
India ^A	4.16	4	8	3	(61)	(29)
China	2.33	1	0	6	(5)	(27)
Currencies (Δ %)						
EUR	1.1720	(0.2)	0	(0.3)	(1.8)	0.8
GBP	1.3679	(0.3)	(0.5)	(0.2)	(1.4)	7.3
JPY	110.73	(0.4)	(0.7)	(0.6)	0	(4.9)
AUD	0.7262	(0.5)	0	0.3	(4.3)	3.3
INR	73.69	(0.1)	(0.3)	0.7	0.7	(0.1)
CNY	6.4662	(0.1)	0	0.2	(0.2)	5.2
Equity & Other indices (Δ %)						
Dow	34,798	0.1	0.6	(1.2)	1.1	28.1
FTSE	7,051	(0.4)	1.3	(1.0)	(1.2)	20.7
DAX	15,532	(0.7)	0.3	(1.7)	(0.5)	24.6
NIKKEI	30,249	2.1	(0.8)	9.0	4.1	30.4
Shanghai Comp	3,613	(0.8)	0	3.2	0.2	12.2
SENSEX	60,048	0.3	1.7	7.3	13.5	60.6
Brent (US\$/bbl)	78.09	1.1	3.7	9.9	2.5	86.3
Gold (US\$/oz)	1,750	0.4	(0.2)	(2.3)	(1.7)	(6.0)
CRB Index	552.9	0.4	(0.5)	(1.3)	0	37.0
Rogers Agri Index	1,083.5	0.5	1.2	(0.4)	6.5	45.6
LIBOR (3M)*	0.13	0	1	1	(1)	(9)
INR 5Y Swap*	5.77	4	0	0	8	28
India FII data (US\$ mn)						
	23 Sep	22 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	183.0	44.2	360.8	793.2	(620.7)	1,406.6
FII-Equity	83.5	(213.5)	62.0	1,460.5	8,851.0	1,524.7

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

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