

MACRO DAILY

28 September 2021

Macro developments

- In an effort to capture the employment situation of non-farm economy, Indian government has released the Quarterly Employment Survey for Q1FY22. It captures both organised and unorganised segments of 9 selected sectors which includes manufacturing, construction, trade, transport, etc. The notable finding of the report includes-152% growth in employment recorded in the IT/BPO sector compared to 6th Economic Census (EC), female participation rate is slightly lower at 29% against 31% recorded earlier.
- China's industrial profit growth eased sharply to 10.1% in Aug'21 from 16.4% in Jul'21. Even on CYTD basis, profit growth slowed to 49.5% in Jan-Aug'21 compared with 57.3% in Jan-Jul'21. The deceleration is owing to higher global commodity prices, which has particularly impacted profits of power supply firms (-15.3%). Shortage of raw materials and logistical bottlenecks have also impacted profits of firms. However, profits of mining sector have increased substantially with coal (241%) and oil and gas (257%) industries rising the most.
- US durable goods orders rose solidly by 1.8% in Aug'21 (est. 0.6%) on a MoM basis compared with an increase of 0.5% in Jul'21. This was led by a rebound in orders for transportation equipment (+5.5% versus decline of 0.4% in Jul'21). Orders for non-defence capital goods (proxy for business spending) rose by 0.5% in Aug'21 versus 0.3% in Jul'21. On a YoY basis, durable orders rose by 16.4% in Jul'21 and are 18% above pre-pandemic levels.

Markets

- Bonds:** Except Japan (stable), global yields closed higher. US 10Y yield rose the most by 4bps (1.49%) supported by better than expected durables goods orders. Investors also monitored speeches by Fed Chair and ECB President. Crude prices rose by 1.8% (US\$ 80/bbl-highest since Oct'18) amidst tight supply and hopes of recovering demand. Thus, India's 10Y yield rose by 3bps (6.21%). It is trading flat today.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% as US durable goods orders rose more than expected. EUR fell by 0.2% as a close election in Germany paved way for coalition talks. CNY rose by 0.1% as concerns over Evergrande subsided. INR depreciated by 0.2% amidst higher oil prices. However it is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed. Investors monitored news of crude oil touching US\$80/bbl and US treasury yield climbing up to 1.5%. Dow gained by 0.2% as durable goods orders improved. Dax was up by 0.3% as investors continued to track the election result. Sensex ended flat. However, it is trading lower today while other Asian stocks are trading mixed.

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Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.49	4	18	18	1	83
UK	0.95	3	16	37	23	75
Japan	0.06	0	1	3	0	4
Germany	(0.22)	1	10	20	(3)	31
India ^{AA}	6.21	3	7	(5)	15	15
China	2.88	1	0	0	(23)	(24)
2Y yields (Δ bps)						
US	0.28	1	6	6	2	15
UK	0.39	0	13	27	33	44
Japan	(0.11)	(1)	1	0	(1)	3
Germany	(0.69)	0	3	5	(4)	2
India ^A	4.15	0	7	2	(62)	(29)
China	2.32	(2)	(1)	4	(9)	(28)
Currencies (Δ %)						
EUR	1.1695	(0.2)	(0.3)	(0.8)	(1.9)	0.2
GBP	1.3698	0.1	0.3	(0.5)	(1.3)	6.7
JPY	111.00	(0.2)	(1.4)	(1.1)	(0.3)	(5.2)
AUD	0.7286	0.3	0.5	(0.4)	(3.7)	3.0
INR	73.84	(0.2)	(0.1)	(0.2)	0.5	(0.1)
CNY	6.4570	0.1	0.1	0.2	0	5.2
Equity & Other indices (Δ %)						
Dow	34,869	0.2	2.6	(1.7)	1.7	26.4
FTSE	7,063	0.2	2.3	(1.2)	(0.1)	19.2
DAX	15,574	0.3	2.9	(1.8)	0.1	21.0
NIKKEI	30,240	0	(0.9)	9.4	4.1	28.6
Shanghai Comp	3,583	(0.8)	(0.9)	1.7	(0.7)	11.4
SENSEX	60,078	0	2.7	7.0	13.9	58.2
Brent (US\$/bbl)	79.53	1.8	7.6	9.4	6.5	87.4
Gold (US\$/oz)	1,750	0	(0.8)	(3.7)	(1.6)	(7.0)
CRB Index	552.4	(0.1)	0.3	(1.6)	(0.5)	36.8
Rogers Agri Index	1,091.5	0.7	3.4	0.1	5.2	47.0
LIBOR (3M)*	0.13	0	1	1	(2)	(9)
INR 5Y Swap*	5.77	0	2	4	5	33
India FII data (US\$ mn)						
	24 Sep	23 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	140.1	183.0	500.9	933.3	(480.6)	1,546.7
FII-Equity	77.4	83.5	139.4	1,537.9	8,928.5	1,602.1

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

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