

MACRO DAILY

29 September 2021

Macro developments

- Government of India has extended the existing Foreign Trade Policy (FTP) 2015-20 to 31 Mar 2022. The policy which was set to expire in FY20, was extended by one year to 31 Mar 2021 and subsequently to 30 Sep 2021 due to the Covid-19 pandemic. It provides guidelines for enhancing exports to support economic growth and create employment. It is expected that the government will come up with a new FTP in FY23 as the Covid-19 situation improves.
- US consumer confidence dropped to a 7-month low of 109.3 in Sep'21 from 115.2 in Aug'21 as concerns over the spread of Covid-19 delta variant dented sentiments. Even the current conditions index dropped to a 5-month low of 143.4 as the present and the short-term business outlook conditions faded. Separately, consumer confidence in both Germany (0.3 in Oct'21 from -1.1 in Sep'21) and France (102 in Sep'21 from 99 in Aug'21) surprised positively.
- Retail sales in Australia continued to contract (MoM) in Aug'21 (-1.7%), albeit at a slower pace compared with Jul'21 (-2.7%) and estimated 2.5% decline. Sales of household goods (-2.3% versus -2.2%) and clothing and footwear (-15.7% versus -15.4%) fell. However, signs of recovery were visible in sales of café and restaurant (-7% versus -12%) and department stores (-10.2% versus -11.4%). Lockdown restrictions are set to ease from mid-Oct'21 as pace of vaccination is increasing, thus raising hopes of further improvement in retail sales.

Markets

- Bonds:** Except China (stable), global yields closed higher. US 10Y yield rose the most by 5bps (1.54%) as St. Louis Fed President cautioned that high inflation may require more aggressive steps by the central bank. Crude prices moderated marginally by 0.6% (US\$ 79.1/bbl) amidst concerns over growth outlook of China. India's 10Y yield rose by 2bps (6.23%) following global cues. It is trading at 6.22% today.
- Currency:** Global currencies closed lower against the dollar. DXY rose by 0.4% to an 11-month high supported by higher US treasury yields. GBP fell the most by 1.2%. JPY fell by 0.5% as BoJ's policy minutes highlighted risks to economic recovery. INR depreciated by 0.3% to a 1-month low following global cues. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices ended lower. Amongst other indices, Dax (2.1%) dropped the most. Dow fell by 1.6% as consumer confidence dropped to a 7-month low. Sensex (0.7%) too ended in red led by losses in real estate and technology stocks. It is trading lower today in line with other Asians 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	1.54	5	21	23	7	89
UK	0.99	4	19	42	26	81
Japan	0.09	2	4	6	2	7
Germany	(0.20)	2	12	22	(3)	35
India ^{AA}	6.23	2	11	(3)	19	19
China	2.88	0	0	0	(22)	(26)
2Y yields (Δ bps)						
US	0.30	2	9	9	5	18
UK	0.41	2	13	29	35	46
Japan	(0.11)	0	2	0	0	2
Germany	(0.68)	1	3	5	(3)	3
India ^A	4.14	(1)	4	1	(63)	(29)
China	2.34	2	1	7	(7)	(28)
Currencies (Δ %)						
EUR	1.1683	(0.1)	(0.4)	(0.9)	(1.8)	(0.5)
GBP	1.3537	(1.2)	(0.9)	(1.6)	(2.2)	5.2
JPY	111.50	(0.5)	(2.1)	(1.5)	(0.9)	(5.5)
AUD	0.7236	(0.7)	0.1	(1.0)	(3.7)	1.5
INR	74.05	(0.3)	(0.6)	(0.5)	0.2	(0.3)
CNY	6.4603	(0.1)	0.1	0.2	0.1	5.2
Equity & Other indices (Δ %)						
Dow	34,300	(1.6)	1.1	(3.3)	0	24.9
FTSE	7,028	(0.5)	0.7	(1.7)	(0.8)	19.2
DAX	15,249	(2.1)	(0.7)	(3.8)	(2.8)	18.9
NIKKEI	30,184	(0.2)	1.2	9.2	4.8	28.2
Shanghai Comp	3,602	0.5	(0.3)	2.3	0.8	11.7
SENSEX	59,668	(0.7)	1.1	6.3	13.5	57.1
Brent (US\$/bbl)	79.09	(0.6)	6.4	8.8	5.8	92.8
Gold (US\$/oz)	1,734	(0.9)	(2.3)	(4.6)	(1.5)	(8.6)
CRB Index	555.4	0.6	1.5	(1.0)	(0.2)	37.5
Rogers Agri Index	1,088.8	(0.3)	3.2	(0.1)	5.1	47.0
LIBOR (3M)*	0.13	0	0	1	(1)	(9)
INR 5Y Swap*	5.78	1	4	5	7	34
India FII data (US\$ mn)						
	27 Sep	24 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	616.4	140.1	616.4	1,549.7	135.8	2,163.1
FII-Equity	(56.9)	77.4	(56.9)	1,481.0	8,871.5	1,545.2

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

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