

MACRO DAILY

03 November 2021

Macro developments

- RBI's Committee has suggested recommendations for efficient functioning of ARCs. This includes creation of online platform for sale of stressed assets, allowing ARCs to act as resolution applicants during IBC. Section 5 of the SARFAESI Act has been proposed to be expanded to allow ARCs for acquiring assets from all regulated entities. For ensuring better price discovery it has been suggested that two bank-approved external valuers should carry out valuation for accounts above Rs 5bn and one valuer for accounts between Rs 1-5bn.
- India's services PMI expanded to a decadal high of 58.4 in Oct'21 from 55.2 in Sep'21 signalling substantial recovery in the sector. New orders too rose at its fastest pace in over 10-years. Improvement in overall demand has boosted sales and output levels. New work intake has also risen at its strongest level since Jul'11. However, business confidence remained subdued due to growing price pressures. The output charge inflation rose to a 51-month high.
- Services PMI for China and Australia indicate that activity improved in both countries in Oct'21. In case of Australia, the rebound was much sharper (51.8 in Oct'21 versus 45.5 in Sep'21) compared to China (53.8 versus 53.4). Both countries reported improvement in new orders and employment. Input and output costs too increased everywhere. However, while future business optimism index rose above the long-run average in Australia, it softened in China and remains below the long-run average.

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Markets

- **Bonds:** Global yields closed lower. Germany's 10Y yield fell the most by 6bps (-0.17%) as manufacturing PMI data reflected supply chain problems. US 10Y yield fell a tad by 1bps (1.55%) as investors await Fed policy decision. Crude prices closed flat at US\$ 85/bbl despite accumulation in US inventory. India's 10Y yield fell by 3bps (6.36%) following fall in OIS rates. It is trading flat today.
- **Currency:** Global currencies closed mixed. DXY rose by 0.2% awaiting outcome of Fed policy meet. Investors also await comments from BoE. AUD fell sharply by 1.3% following comments from RBA. INR appreciated by 0.3%. It is trading further higher today while other Asian currencies are trading mixed.
- **Equity:** Barring Dow and Dax, other global indices ended lower as investors turned their focus towards the Fed meet. Amongst other indices, Shanghai Comp (1.1%) dropped the most followed by Nikkei (0.4%). Sensex (0.2%) too ended in red and was dragged down by metal and oil and gas stocks. However, it is trading higher today, while other Asian stocks are trading mixed.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.55	(1)	(6)	6	38	65
UK	1.04	(2)	(7)	2	52	77
Japan	0.08	(2)	(3)	1	7	3
Germany	(0.17)	(6)	(5)	3	32	46
India	6.36	(3)	0	14	16	46
China	2.93	(1)	(5)	5	10	(25)
2Y yields (Δ bps)						
US	0.45	(5)	1	17	28	28
UK	0.67	(3)	4	26	61	71
Japan	(0.10)	0	0	3	2	1
Germany	(0.67)	(6)	(1)	2	11	13
India	4.46	2	3	23	25	28
China	2.23	(1)	(4)	(9)	30	(49)
Currencies (Δ %)						
EUR	1.1579	(0.2)	(0.1)	0	(2.4)	(1.2)
GBP	1.3612	(0.4)	(1.1)	1.0	(2.2)	4.2
JPY	113.96	0	0.2	(2.4)	(4.5)	(9.1)
AUD	0.7429	(1.3)	(1.0)	2.8	0.4	3.7
INR	74.69	0.3	0.4	(0.6)	(0.5)	(0.4)
CNY	6.4000	0	(0.3)	0.7	1.1	4.2
Equity & Other indices (Δ %)						
Dow	36,053	0.4	0.8	6.5	2.7	31.2
FTSE	7,275	(0.2)	0	2.7	2.4	25.7
DAX	15,954	0.9	1.3	4.5	2.6	32.0
NIKKEI	29,521	(0.4)	1.4	0.2	6.8	26.7
Shanghai Comp	3,506	(1.1)	(2.6)	(1.8)	1.7	7.2
SENSEX	60,029	(0.2)	(2.2)	1.5	11.5	49.1
Brent (US\$/bbl)	84.72	0	(1.9)	7.9	17.0	113.3
Gold (US\$/oz)	1,788	(0.3)	(0.3)	1.8	(1.3)	(6.4)
CRB Index	570.3	(0.4)	0.2	3.0	1.7	38.7
Rogers Agri Index	1,155.6	(0.4)	1.9	4.8	8.6	46.6
LIBOR (3M)*	0.14	1	1	1	2	(8)
INR 5Y Swap*	5.87	(3)	(4)	9	8	65
India FII data (US\$ mn)						
	1 Nov	29 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	9.4	28.2	9.4	9.4	(61.0)	1,966.3
FII-Equity	(37.1)	(732.3)	(37.1)	(37.1)	6,221.5	(1,104.9)

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

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