

MACRO DAILY

08 September 2021

Macro developments

- Government of India has procured over 89mn metric tonne (+16% YoY) of paddy this year (a record high) in the ongoing Kharif marketing season, as of 5 Sep 2021. This includes over 71.8mn metric tonne procured in Kharif sowing season and 17.1mn metric tonne procured in previous Rabi season. This is likely to benefit over 13mn farmers with the MSP value of Rs 1.68tn.
- Japan's annualised Q2CY21 GDP (final) has been revised upwards to 1.9% (QoQ) versus 1.3% as per preliminary estimate (PE) and 3.9% decline in Q1. The upward revision was driven by private non-residential investment (2.3% versus 1.7% PE) and government consumption (1.3% versus 0.5%). Private consumption was also revised marginally upwards to 0.9% from 0.8% earlier. Public investment on the other hand was revised downward to (-) 1.7% from (-) 1.5% earlier.
- Industrial production in Germany bounced back to 1% in Jul'21 (est.: 0.8%) from a decline of 1% in Jun'21 on a MoM basis. This was led by higher production of capital (3.2%) and consumer (0.9%) goods. Separately, ZEW investors' economic sentiment index declined for the fourth straight month to 26.5 in Sep'21 (est. 30.3), from 40.4 in Aug'21. Chip shortages in the automotive sector and scarcity of raw materials in the construction sector weighed on sentiments.

Sonal Badhan

sonal.badhan@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

sameer.narang@bankofbaroda.com

Markets

- Bonds:** Except Japan (lower), global yields closed higher supported by better macro print from China. Investors also await ECB decision amidst expectation of its unwinding of massive bond-buying program. US and Germany's 10Y rose the most by 5bps each to 1.37% and (-) 0.32% respectively. Crude prices fell by 0.7% (US\$ 72/bbl) owing to price cut by Saudi Arabia. India's 10Y yield rose by 2bps (6.2%) amidst profit booking. It is trading at 6.19% today.
- Currency:** Global currencies closed lower against the dollar. DXY rose by 0.5% in line with the rise in US 10Y yield. EUR fell by 0.3% as Germany's economic sentiment index was below expectation. AUD declined by 0.7% after RBA's policy. INR depreciated by 0.4% even as oil prices eased. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors shifted their focus towards the upcoming ECB policy meet. Dow (0.8%) dropped the most, followed by Dax (0.6%). On the other hand, Asian indices ended higher. Sensex ended flat. Consumer durables stocks advanced the most, while real estate took a hit. However, it is trading lower 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	1.37	5	6	8	(16)	69
UK	0.74	4	2	13	(3)	55
Japan	0.04	(1)	2	3	(4)	0
Germany	(0.32)	5	6	13	(10)	17
India ^{AA}	6.20	2	(2)	(4)	19	14
China	2.86	3	1	4	(28)	(27)
2Y yields (Δ bps)						
US	0.22	1	1	1	7	8
UK	0.19	1	(3)	5	13	32
Japan	(0.12)	0	1	0	0	0
Germany	(0.70)	2	2	6	(3)	1
India ^A	4.07	1	(5)	(18)	(54)	(43)
China	2.24	0	0	32	(17)	(36)
Currencies (Δ %)						
EUR	1.1840	(0.3)	0.3	0.7	(2.7)	0.5
GBP	1.3786	(0.4)	0.2	(0.6)	(2.6)	6.2
JPY	110.28	(0.4)	(0.2)	0	(0.7)	(4.0)
AUD	0.7386	(0.7)	1.0	0.4	(4.6)	2.4
INR	73.41	(0.4)	(0.6)	1.0	(0.7)	0.3
CNY	6.4667	(0.1)	(0.1)	0.3	(1.0)	5.5
Equity & Other indices (Δ %)						
Dow	35,100	(0.8)	(0.7)	(0.3)	1.4	27.6
FTSE	7,149	(0.5)	0.4	0.4	0.8	20.6
DAX	15,843	(0.6)	0.1	0.5	1.3	22.2
NIKKEI	29,916	0.9	6.5	7.5	3.3	28.5
Shanghai Comp	3,677	1.5	3.7	6.3	2.7	10.9
SENSEX	58,279	0	1.3	7.4	11.5	51.9
Brent (US\$/bbl)	71.69	(0.7)	(1.8)	1.4	(0.7)	80.2
Gold (US\$/oz)	1,794	(1.6)	(1.1)	1.8	(5.2)	(7.1)
CRB Index	554.2	(0.7)	(1.0)	(1.1)	(0.1)	39.7
Rogers Agri Index	1,069.7	(0.9)	(0.1)	0.2	(2.0)	45.8
LIBOR (3M)*	0.11	0	(1)	(1)	(1)	(13)
INR 5Y Swap*	5.80	2	2	(10)	16	17
India FII data (US\$ mn)						
	6 Sep	3 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	31.0	(32.8)	31.0	190.8	(1,223.0)	804.2
FII-Equity	57.5	(86.9)	57.5	241.1	7,631.6	305.3

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com