

MACRO DAILY

09 July 2021

Macro developments

- India's auto sales (22.5% in Jun'21) signaled early signs of recovery on the back of pent up up-demand and retail outlets reopening with gradual easing of state-wide restrictions. As per FADA, registrations of both passenger vehicles (43.5% in Jun'21 from decline of 37% in Jun'20) and two wheeler (17% in Jun'21 after declining by 41% in Jun'20) improved in Jun'21. This positive momentum is likely to continue in the coming months, with a pick-up in demand.
- US jobless claims for the week ended 3 Jul 2021 rose by 2,000 to 373,000 compared with expectation of a decline to 350,000. Despite the marginal uptick, claims have remained near a pandemic low. The 4-week moving average of claims, fell marginally by 250 to 394,500. Jobless claims are likely to remain volatile in the coming weeks as the unemployment programmes are set to end in Sep'21.
- China's PPI slowed marginally to 8.8% in Jun'21 from 9% in May'21. Prices of consumer goods remained much more sluggish (0.6% decline), while those of producer goods eased marginally (11.8% rise versus 12%). CPI remained muted, rising by 1.1% in Jun'21 versus 1.3% in May'21, led by 1.7% decline in food prices (0.3% rise in May'21). Non-food prices however rose by 1.7% versus 1.6% in May'21.

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Markets

- Bonds:** Except UK (higher), global yields closed lower. China's 10Y yield fell the most by 7bps (2.99%). US 10Y yield fell by 2bps (1.29%) as jobless claims data disappointed. Germany's 10Y yield also fell by 1bps (-0.31%) monitoring ECB's decision of change in inflation target from close to or below 2% to allowing temporary movement beyond this point. Crude prices rose by 0.9% (US\$ 74/bbl) due to US inventory drawdown. India's 10Y yield fell by 4bps (6.12%) tracking RBI Governor's comments on monetary policy support.
- Currency:** Except EUR and JPY (higher), other global currencies closed lower. DXY fell by 0.2% as US jobless claims rose unexpectedly. EUR rose by 0.5% even as Germany's exports rose less than expected in May'21. INR depreciated by 0.1% as oil prices rose. However, it is trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended lower led by renewed concerns of global economic recovery and disappointing data print from US (jobless claims). Both FTSE and Dax (1.7%) declined sharply, followed by Nikkei (0.9%). Sensex too ended in red led by subdued global cues. Metal and banking stocks dropped the most. It is trading lower today; in line with other Asian stocks.



Fig 1 – Movement in key global asset classes

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|--------------|--------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.29 | (2) | (17) | (28) | (33) | 68 |
| UK | 0.61 | 1 | (12) | (19) | (14) | 45 |
| Japan | 0.03 | (1) | (2) | (6) | (7) | (1) |
| Germany | (0.31) | (1) | (11) | (11) | 3 | 16 |
| India | 6.12 | (4) | 9 | 10 | 9 | 35 |
| China | 2.99 | (7) | (10) | (15) | (23) | (11) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.19 | (2) | (6) | 4 | 5 | 4 |
| UK | 0.09 | 2 | 2 | 0 | 4 | 18 |
| Japan | (0.11) | 0 | 0 | 1 | 2 | 1 |
| Germany | (0.68) | (1) | (2) | (2) | 3 | 0 |
| India [^] | 4.32 | (6) | (45) | (32) | (31) | 20 |
| China | 2.18 | (8) | (13) | (22) | (33) | 2 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1845 | 0.5 | 0 | (2.8) | (0.6) | 5.0 |
| GBP | 1.3786 | (0.1) | 0.1 | (2.8) | 0.4 | 9.4 |
| JPY | 109.72 | 0.8 | 1.6 | (0.4) | (0.4) | (2.4) |
| AUD | 0.7429 | (0.8) | (0.5) | (4.2) | (2.9) | 6.7 |
| INR | 74.71 | (0.1) | (0.2) | (2.6) | (0.2) | 0.4 |
| CNY | 6.4905 | (0.3) | (0.3) | (1.5) | 0.9 | 7.2 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 34,422 | (0.7) | (0.6) | (0.6) | 2.7 | 33.9 |
| FTSE | 7,031 | (1.7) | (1.3) | (0.7) | 1.3 | 16.2 |
| DAX | 15,421 | (1.7) | (1.2) | (1.6) | 1.4 | 23.5 |
| NIKKEI | 28,118 | (0.9) | (2.1) | (3.1) | (5.4) | 24.8 |
| Shanghai Comp | 3,526 | (0.8) | (1.8) | (2.1) | 1.2 | 2.2 |
| SENSEX | 52,569 | (0.9) | 0.5 | 0.5 | 5.7 | 43.1 |
| Brent (US\$/bbl) | 74.12 | 0.9 | (2.3) | 3.7 | 17.3 | 75.0 |
| Gold (US\$/oz) | 1,803 | 0 | 1.5 | (5.1) | 2.7 | (0.0) |
| CRB Index | 551.9 | (0.2) | (0.4) | 0.1 | 8.1 | 51.8 |
| Rogers Agri Index | 1,016.4 | (0.6) | (4.1) | (6.6) | 5.5 | 46.4 |
| LIBOR (3M)* | 0.12 | (1) | (2) | 0 | (6) | (14) |
| INR 5Y Swap* | 5.71 | (3) | 0 | 12 | 1 | 39 |
| India FII data (US\$ mn) | | | | | | |
| | 7 Jul | 6 Jul | WTD | MTD | CYTD | FYTD |
| FII-Debt | 29.1 | (119.5) | (15.8) | (28.7) | (3,195.5) | (1,168.3) |
| FII-Equity | 88.5 | 139.4 | 286.8 | (64.2) | 8,020.0 | 693.6 |

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

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