

## MACRO DAILY

10 August 2021

### Macro developments

- According to FADA, automobile registrations rose by 34.1% in Jul'21 (22.6% in Jun'21 on YoY basis) on the back of calibrated reopening of the economy after Covid-19 induced lockdown. On a 2-year horizon, both passenger vehicles (24.3%) and tractor registrations (48.3%) saw a robust recovery. Within the PV segment, there has been a growing demand from the compact SUV segments. On the other hand, registrations for both CV and two-wheeler were down by 24.8% and 19% respectively, compared with the pre-pandemic levels.
- PBOC in its quarterly monetary policy report reaffirmed that it will continue to maintain the current policy stance and ensure ample liquidity. However, the report highlighted risks to growth. Export growth is expected to slow down (owing to base effect) and investment growth is also expected to remain weak due to uneven recovery in the economy, especially in retail sectors and tourism. Inflation pressures are considered to be “temporary” and “controllable”, thus fuelling hopes of RRR cuts going forward (in Oct'21 and Jan'22).
- Germany's exports rose for the 13th straight month in Jun'21 and were up by 1.3% in Jun'21 (est., 0.3%) on a MoM basis versus rise of 0.4% in May'21. The stronger than expected growth comes despite persisting supply bottlenecks in manufacturing, thus raising hopes for a sharp rebound in growth. Imports moderated to 0.6% in Jun'21 versus an increase of 3.4% in May'21. As a result, trade surplus expanded to € 13.6bn from € 12.8bn in May'21.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 3bps (1.32%) as labour data showed improvement and two of the Fed officials sounded hawkish. UK's 10Y yield fell by 3bps (0.58%). Crude prices also fell by 2.3% (US\$ 69/bbl) over growing woes surrounding rising Covid-19 cases in US, Australia and China. India's 10Y yield fell a tad by 1bps (6.22%). It is trading at 6.23% today.
- Currency:** Except JPY (flat), other global currencies closed lower against the dollar. DXY rose by 0.2% as US labour market data (JOLTS) remained upbeat. EUR depreciated by 0.2% even as Germany's exports rose more than expected in Jun'21. INR depreciated by 0.2% led by global cues. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed. Investors monitored developments surrounding Covid-19 and falling commodity prices. Shanghai Comp (1.1%) surged the most followed by Nikkei (0.3%). Sensex (0.2%) too ended in green led by strong gains in banking and technology stocks. 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
<b>10Y yields (Δ bps)</b>						
US	1.32	3	15	(4)	(28)	75
UK	0.58	(3)	6	(7)	(20)	45
Japan	0.02	0	0	(2)	(7)	0
Germany	(0.46)	0	3	(17)	(25)	7
India <sup>AA</sup>	6.22	(1)	3	4	21	37
China	2.86	5	4	(13)	(28)	(10)
<b>2Y yields (Δ bps)</b>						
US	0.22	1	5	1	7	9
UK	0.14	0	10	5	10	16
Japan	(0.12)	0	(1)	(1)	0	(1)
Germany	(0.75)	1	3	(7)	(6)	(5)
India <sup>A</sup>	4.23	(2)	6	(8)	(12)	(1)
China	1.92	3	(8)	(22)	(47)	(28)
<b>Currencies (Δ %)</b>						
EUR	1.1737	(0.2)	(1.1)	(1.2)	(3.2)	(0.0)
GBP	1.3847	(0.2)	(0.3)	(0.4)	(1.9)	5.9
JPY	110.29	0	(0.9)	(0.1)	(1.4)	(4.1)
AUD	0.7333	(0.3)	(0.4)	(2.1)	(6.3)	2.6
INR	74.27	(0.2)	0.1	0.5	(1.3)	0.8
CNY	6.4864	(0.1)	(0.4)	(0.1)	(1.1)	6.8
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,102	(0.3)	0.8	0.7	1.0	26.3
FTSE	7,132	0.1	0.7	0.1	0.1	17.9
DAX	15,745	(0.1)	1.1	0.4	2.2	24.1
NIKKEI	27,820	0.3	2.0	(0.4)	(5.8)	24.6
Shanghai Comp	3,495	1.1	0.9	(0.8)	1.9	3.4
SENSEX	54,403	0.2	2.7	3.8	9.9	42.5
Brent (US\$/bbl)	69.04	(2.3)	(5.3)	(8.6)	1.1	53.5
Gold (US\$/oz)	1,730	(1.9)	(4.6)	(4.3)	(5.8)	(14.7)
CRB Index	559.0	(0.2)	(0.9)	0.8	3.3	47.2
Rogers Agri Index	1,061.4	(0.6)	(0.8)	4.1	(3.9)	53.2
LIBOR (3M)*	0.13	0	1	0	(4)	(13)
INR 5Y Swap*	5.88	(2)	7	13	27	60
<b>India FII data (US\$ mn)</b>						
	<b>6 Aug</b>	<b>5 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	6.0	8.2	25.1	25.1	(3,228.0)	(1,200.8)
FII-Equity	21.3	(73.1)	498.0	498.0	6,876.2	(450.1)

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

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