

MACRO DAILY

11 August 2021

Macro developments

- India's exports rose by 50.5% between 1-7 Aug 2021 to US\$ 7.4bn, on a YoY basis. In Jul'21, exports had risen by 47.9% to a record-high of US\$ 35.2bn. The increase in Aug'21 was driven by oil (145%), gems and jewellery (121%) and engineering goods (63%). Exports to US, UAE and Saudi Arabia rose the most. Imports also rose by 70% in Aug'21 (1-7 Aug'21) to US\$ 10.5bn versus an increase of 59.4% in Jul'21 (US\$ 46.4bn). While oil (141%) and electronic (31%) imports rose, gold imports dipped by 12.5% in Aug'21.
- Germany's economic sentiment dropped in Aug'21 as reflected in the ZEW index, which fell from 63.3 to 40.4 (est.: 55). This is the third month in a row that the index has fallen. This was on the back of increasing risks from a possible fourth Covid-19 wave starting in autumn and slowdown in global demand.
- Singapore's GDP rose by 14.7% in Q2CY21 on a YoY basis, higher than the initial estimate of 14.3% and an increase of 1.5% in Q1. The increase in Q2 was largely due to base effect as GDP growth fell by 13.3% in Q2CY20. Manufacturing (17.7%) and construction (106.2%) sectors were the biggest drivers of growth in Q2CY21. The government also raised its GDP forecast for CY21 to 6%-7% versus 4%-6% growth estimated earlier. This was on the back of improved vaccinations both domestically and globally.

Sonal Badhan | Sameer Narang
 chief.economist@bankofbaroda.com

Markets

- Bonds:** Except Germany (stable), global yields closed higher. US 10Y yield rose by 3bps (1.35%) ahead of the CPI print. Senate's passing of US\$ 1tn infrastructure package also boosted sentiments. Crude prices rose by 2.3% (US\$ 71/bbl) as US Energy Information Administration raised its forecast for fuel demand in CY21. India's 10Y yield rose by 1bps (6.23%). It is trading at 6.24% today.
- Currency:** Global currencies closed mixed. While AUD rose the most (0.2%), JPY fell the most (0.3%). GBP and CNY closed flat. DXY rose by 0.1% ahead of US inflation data. INR depreciated by 0.2% as Brent rose by 2.3%. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended higher as concerns over the rapid spread of Covid-19 delta variant dissipated. Dow rose by 0.5% after the US Senate passed the US\$1tn infrastructure plan. Shanghai Comp (1%) surged the most. Sensex (0.3%) too ended in green led by gains in technology stocks. However, 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	1.35	3	18	(1)	(27)	71
UK	0.59	1	7	(7)	(24)	39
Japan	0.03	1	1	(1)	(5)	(1)
Germany	(0.46)	0	3	(16)	(30)	2
India ^{AA}	6.23	1	3	4	22	37
China	2.88	1	4	(12)	(26)	(10)
2Y yields (Δ bps)						
US	0.24	2	7	3	8	9
UK	0.15	2	10	7	9	15
Japan	(0.11)	1	1	1	2	(1)
Germany	(0.75)	0	2	(7)	(8)	(7)
India ^A	4.23	0	3	(8)	(12)	(3)
China	2.01	8	7	(13)	(39)	(21)
Currencies (Δ %)						
EUR	1.1720	(0.1)	(1.2)	(1.3)	(3.5)	(0.2)
GBP	1.3843	0	(0.5)	(0.4)	(2.1)	6.1
JPY	110.57	(0.3)	(1.4)	(0.4)	(1.8)	(3.8)
AUD	0.7350	0.2	(0.6)	(1.8)	(6.3)	2.9
INR	74.43	(0.2)	(0.2)	0.3	(1.5)	0.5
CNY	6.4859	0	(0.2)	(0.1)	(0.9)	6.6
Equity & Other indices (Δ %)						
Dow	35,265	0.5	0.4	1.1	2.9	27.4
FTSE	7,161	0.4	0.8	0.5	3.1	16.4
DAX	15,771	0.2	1.4	0.5	4.3	21.8
NIKKEI	27,888	0.2	0.9	(0.2)	(2.5)	22.6
Shanghai Comp	3,530	1.0	2.4	0.2	2.6	5.7
SENSEX	54,555	0.3	1.4	4.1	11.0	42.0
Brent (US\$/bbl)	70.63	2.3	(2.5)	(6.5)	3.0	58.7
Gold (US\$/oz)	1,729	(0.1)	(4.5)	(4.4)	(5.9)	(9.6)
CRB Index	558.4	(0.1)	(0.4)	0.7	2.5	47.3
Rogers Agri Index	1,074.6	1.2	1.0	5.4	(3.5)	54.9
LIBOR (3M)*	0.13	0	1	0	(3)	(13)
INR 5Y Swap*	5.87	(1)	8	12	25	63
India FII data (US\$ mn)						
	9 Aug	6 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(10.3)	6.0	(10.3)	14.9	(3,238.3)	(1,211.0)
FII-Equity	60.0	21.3	60.0	558.0	6,936.1	(390.2)

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

chief.economist@bankofbaroda.com