

MACRO DAILY

12 August 2021

Macro developments

- According to 4th Advance Estimates, foodgrain production is expected to have risen to a record 308.6mn ton in the crop year 2020-2021 (higher by 3.75% versus last year). Both rice and wheat production are expected to be up by 2.9% and 1.5% respectively on a YoY basis. Notably, output of pulses (11.7%), and oilseeds (8.7%) is also estimated to increase. However, production of cotton is expected to fall by 1.9%. Currently, kharif sowing is down by 1% from last year.
- US CPI rose by 5.4% (YoY) in Jul'21, unchanged from Jun'21, and core inflation was down to 4.3% from 4.5% in Jun'21. On MoM basis, inflation eased significantly to 0.5% in Jul'21 from 0.9% in Jun'21. Core inflation moderated to 0.3% (est.: 0.4%) from 0.9%. Within core, prices of vehicles (new and used), apparel and transport service cooled significantly. Prices of medical care commodities and services inched up. The latest data print gives backing to Fed's stance that inflation pressures are transitory.
- CPI inflation in Germany rose to its highest since Dec'93 to 3.8% in Jul'21 (YoY) compared with 2.3% in Jun'21 due to base effect. In Jul'20, inflation had fallen by 0.1% due to the impact of a reduction in VAT. Apart from this, introduction of CO₂ charge and higher energy prices (11.6% in Jul'21, YoY) also contributed to the sharp jump in inflation. Food prices also rose by 4.3% in Jul'21 from 1.2% in Jun'21. On a MoM basis, inflation rose by 0.9% in Jul'21.

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Markets

- Bonds:** Global yields closed mixed. US and UK's 10Y yield fell by 2bps each to 1.33% and 0.57% respectively. Lower than expected core US CPI validated Fed claims that inflation pressures are transitory. Crude prices rose by 1.1% (US\$ 71/bbl) on the hopes of improved demand. India's 10Y yield ended flat (6.24%).
- Currency:** Except INR (flat), other global currencies closed higher against the dollar. DXY fell by 0.1% from a 4-month high as US inflation eased in Jul'21 quashing hopes of policy normalisation by the Fed. AUD rose the most by 0.3% followed by GBP and EUR rising by 0.2% each. INR is trading higher today while other Asian currencies are trading mixed.
- Equity:** Barring Sensex, other global indices ended higher as investors monitored lower than expected inflation print from US, signalling higher inflation might remain transitory. Amongst other indices, FTSE (0.8%) gained the most followed by Nikkei (0.7%). Sensex (0.1%) ended in red and was dragged by banking and consumer durable stocks. However, it is trading higher 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	1.33	(2)	15	(3)	(36)	66
UK	0.57	(2)	6	(8)	(32)	33
Japan	0.04	1	3	0	(5)	(1)
Germany	(0.46)	(1)	4	(17)	(34)	(2)
India ^{AA}	6.24	0	4	5	23	39
China	2.89	1	6	(11)	(25)	(9)
2Y yields (Δ bps)						
US	0.22	(2)	4	1	6	6
UK	0.12	(3)	6	4	2	11
Japan	(0.12)	(1)	0	(1)	1	(2)
Germany	(0.75)	0	3	(7)	(9)	(9)
India ^A	4.23	(1)	3	(9)	(7)	(3)
China	2.03	2	9	(11)	(37)	(21)
Currencies (Δ %)						
EUR	1.1739	0.2	(0.8)	(1.2)	(2.8)	(0.4)
GBP	1.3868	0.2	(0.2)	(0.2)	(1.3)	6.4
JPY	110.43	0.1	(0.9)	(0.3)	(0.7)	(3.3)
AUD	0.7374	0.3	(0.1)	(1.5)	(4.5)	3.0
INR	74.44	0	(0.3)	0.3	(1.4)	0.5
CNY	6.4795	0.1	(0.2)	0	(0.4)	6.6
Equity & Other indices (Δ %)						
Dow	35,485	0.6	2.0	1.8	5.6	26.8
FTSE	7,220	0.8	1.4	1.4	3.1	15.0
DAX	15,826	0.4	0.9	0.9	4.5	21.2
NIKKEI	28,071	0.7	1.8	0.5	(0.3)	22.9
Shanghai Comp	3,533	0.1	1.6	0.2	2.0	6.4
SENSEX	54,526	(0.1)	0.3	4.1	12.0	42.1
Brent (US\$/bbl)	71.44	1.1	1.5	(5.4)	3.1	57.3
Gold (US\$/oz)	1,752	1.3	(3.3)	(3.1)	(3.5)	(8.6)
CRB Index	559.8	0.3	0.1	0.9	3.0	47.9
Rogers Agri Index	1,076.8	0.2	1.6	5.6	(3.0)	54.6
LIBOR (3M)*	0.12	0	0	(1)	(3)	(14)
INR 5Y Swap*	5.86	(1)	10	11	21	59
India FII data (US\$ mn)						
	10 Aug	9 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(43.6)	(10.3)	(53.9)	(28.7)	(3,281.9)	(1,254.6)
FII-Equity	(10.8)	60.0	49.2	547.2	6,925.4	(401.0)

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

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