

MACRO DAILY

12 July 2021

Macro developments

- India's foreign exchange reserves rose to a historic high of US\$ 610bn in the week ended 2 Jul 2021. Forex reserves rose by US\$ 1bn last week versus an increase of US\$ 5bn earlier. In FYTD22, India's forex reserves have increased by US\$ 30.7bn compared with US\$ 37.7bn in the same period last year.
- India's kharif sowing has been adversely impacted by the delay in South-West monsoon, with cumulative rainfall from 1 Jun to 11 Jul 2021 at 8% below LPA compared with 13% above LPA last year. The total acreage is down by 10.4% at 49mn hectares (from 55mn hectares) compared with last year as of 9 Jul 2021. The area sown under cotton (17.5%), rice (8.9%) and bajra (37.8%) saw the steepest decline compared with last year.
- China's Central Bank (PBOC) has announced a 50bps cut in RRR, w.e.f. 15 July 2021. This brings down the weighted average RRR to 8.9% and is estimated to release ~1n Yuan (US\$ 154bn) in liquidity. This is expected to boost growth which is seen losing momentum recently (slower IIP, FAI and CPI). Activities of smaller firms have been hit by higher commodity prices and cut in RRR will reduce the stress due to tightening liquidity conditions and will also nudge banks towards lower interest rates over the medium term.

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Markets

- Bonds:** Except Japan (stable), global yields closed higher. US 10Y yield rose the most by 8bps (1.37%) awaiting inflation data and comments from Fed Chair. Crude prices rose by 1.9% (US\$ 76/bbl) due to drawdown of US inventory. India's 10Y yield rose by 7bps (6.19%) as higher than expected cut off yield set by RBI for the new benchmark security dented investor sentiments.
- Currency:** Global currencies closed higher. Safe-haven JPY and DXY both fell by 0.4% and 0.3% respectively. GBP rose by 0.8% even as UK's GDP growth was weaker than expected in May'21. INR rose marginally by 0.1% supported by global cues. It is trading further higher today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors continued to monitor Covid-19 cases globally with growing concerns over delta variants. Amongst other indices, Dax (1.7%) rose the most, followed by both Dow and FTSE gaining by 1.3% each. Sensex (0.3%) ended in red led by subdued global cues. 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	1.37	8	(5)	(28)	(33)	68
UK	0.66	5	(4)	(19)	(14)	45
Japan	0.03	0	(2)	(6)	(7)	(1)
Germany	(0.29)	2	(5)	(11)	3	16
India	6.19	7	12	10	9	35
China	3.03	4	(5)	(15)	(23)	(11)
2Y yields (Δ bps)						
US	0.21	2	(2)	4	5	4
UK	0.09	0	3	0	4	18
Japan	(0.12)	0	0	1	2	1
Germany	(0.68)	1	(0)	(2)	3	0
India [^]	4.31	(1)	(4)	(32)	(31)	20
China	2.18	(8)	(13)	(22)	(33)	2
Currencies (Δ %)						
EUR	1.1873	0.2	0.1	(2.8)	(0.6)	5.0
GBP	1.3899	0.8	0.5	(2.8)	0.4	9.4
JPY	110.14	(0.4)	0.8	(0.4)	(0.4)	(2.4)
AUD	0.7485	0.8	(0.5)	(4.2)	(2.9)	6.7
INR	74.64	0.1	0.1	(2.6)	(0.2)	0.4
CNY	6.4788	0.2	(0.1)	(1.5)	0.9	7.2
Equity & Other indices (Δ %)						
Dow	34,870	1.3	0.2	(0.6)	2.7	33.9
FTSE	7,122	1.3	0	(0.7)	1.3	16.2
DAX	15,688	1.7	0.2	(1.6)	1.4	23.5
NIKKEI	27,940	(0.6)	(2.9)	(3.1)	(5.4)	24.8
Shanghai Comp	3,524	0	0.2	(2.1)	1.2	2.2
SENSEX	52,386	(0.3)	(0.2)	0.5	5.7	43.1
Brent (US\$/bbl)	75.55	1.9	(0.8)	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)						
	8 Jul	7 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	13.6	29.1	(2.2)	(15.1)	(3,181.9)	(1,154.7)
FII-Equity	(85.8)	88.5	201.0	(150.0)	7,934.2	607.8

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

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