

MACRO DAILY

13 August 2021

Macro developments

- India's IIP growth eased to 13.6% in Jun'21 led by base effect. Notably, over a 2-year horizon, output is down by 5.2% led by capital goods and durables. FMCG has expanded. CPI inflation has cooled off to 5.6% in Jul'21 (6.3% in Jun'21) led by food inflation at 4% (110bps MoM decline). Within food, prices of vegetables fell, while that fruits, pulses, oils and fats moderated. Core too softened to 6% (6.2% in Jun'21), led by transport and communication and personal care and effects.
- US PPI rose by 1% (MoM) in Jul'21 unchanged from Jun'21 and higher than estimated 0.6%. Spike was seen in airline passenger fares (9.1% in Jul'21 from 2.5% in Jun'21) and auto parts and retailing (0.9% in Jul'21 from 0.5% in Jun'21). Core PPI accelerated to 0.9% in Jul'21 (0.5% in Jun'21), sharpest increase since Jan'21. On a YoY basis, the PPI was up by 7.8% in Jul'21 and Core PPI also rose by 0.9%. Separately, US jobless claims dropped for the third week in a row, by 12k to 375k signalling recovery in labour market.
- GDP growth in the UK rose by 4.8% in Q2CY21, following a decline of 1.6% in Q1CY21 on a QoQ basis. Amongst sectors, services, (5.7%), production (0.5%) and construction (3.3%) contributed the most to growth. Further, household consumption also rose sharply following easing of Covid-19 restrictions. The level of GDP is now 4.4% below where it was pre-pandemic (Q4CY19).

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Markets

- Bonds:** Barring US, UK (higher) and Germany (flat), other global yields closed lower. US and UK's 10Y yield rose by 3bps each. Higher than expected US PPI print, recovery in US labour market and comments from several Fed officials in favour of tapering in the coming months, impacted investor sentiments. Crude prices fell by 0.2% (US\$ 71/bbl) after IEA warned of slowdown in demand. India's 10Y yield fell by 1bps to 6.23%.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% as US PPI rose more than expected in Jul'21. GBP fell by 0.4% on expectations that BoE will not make any changes to its monetary policy. CNY and JPY closed flat. INR appreciated by 0.3% as oil prices eased. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as concerns over the spread of delta variant resurfaced. Amongst other indices, both Nikkei and Shanghai Comp ended lower by 0.2%, while DAX ended higher by 0.7%. Sensex (0.6%) too ended in green led by gains in power and cap good stocks. It is trading further higher today while other Asian stocks are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.36	3	14	(1)	(30)	64
UK	0.60	3	8	(5)	(30)	36
Japan	0.03	(1)	2	0	(7)	(1)
Germany	(0.46)	0	4	(17)	(34)	(5)
India ^{AA}	6.23	(1)	2	0	22	36
China	2.87	(2)	4	(8)	(27)	(9)
2Y yields (Δ bps)						
US	0.22	0	2	0	7	6
UK	0.16	3	6	6	5	16
Japan	(0.12)	0	1	0	0	(1)
Germany	(0.75)	0	3	(7)	(9)	(10)
India ^A	4.20	(3)	0	(14)	(10)	(4)
China	2.02	0	13	(8)	(37)	(23)
Currencies (Δ %)						
EUR	1.1730	(0.1)	(0.9)	(1.1)	(2.9)	(0.7)
GBP	1.3808	(0.4)	(0.9)	(0.5)	(1.7)	5.7
JPY	110.41	0	(0.6)	0	(0.9)	(3.3)
AUD	0.7335	(0.5)	(0.9)	(1.9)	(5.1)	2.6
INR	74.26	0.3	(0.1)	0.4	(1.1)	0.8
CNY	6.4795	0	(0.3)	(0.1)	(0.4)	6.7
Equity & Other indices (Δ %)						
Dow	35,500	0	1.2	1.4	4.3	27.3
FTSE	7,193	(0.4)	1.0	1.0	3.3	16.3
DAX	15,938	0.7	1.2	0.9	4.9	22.7
NIKKEI	28,015	(0.2)	1.0	(1.9)	2.1	20.5
Shanghai Comp	3,525	(0.2)	1.7	(0.7)	2.8	6.1
SENSEX	54,844	0.6	0.6	4.7	12.6	43.2
Brent (US\$/bbl)	71.31	(0.2)	0	(5.1)	6.4	58.6
Gold (US\$/oz)	1,753	0.1	(2.9)	(3.0)	(4.0)	(10.3)
CRB Index	563.1	0.6	0.5	1.0	4.5	48.0
Rogers Agri Index	1,091.7	1.4	2.9	5.5	1.7	54.3
LIBOR (3M)*	0.12	0	0	(1)	(3)	(16)
INR 5Y Swap*	5.83	(3)	2	3	18	56
India FII data (US\$ mn)						
	11 Aug	10 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	39.2	(43.6)	(14.6)	10.5	(3,242.7)	(1,215.4)
FII-Equity	39.9	(10.8)	89.1	587.1	6,965.3	(361.0)

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

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