

## MACRO DAILY

13 September 2021

### Macro developments

- According to SIAM, total auto sales declined by 11.4% in Aug'21 from 4% increase in Jul'21 led by shortage of semiconductor which has already impacted the overall production. Passenger car sales contracted by 13% in Aug'21 compared with an increase of 26.6% in Jul'21. Two-wheeler sales declined at a much sharper pace by 14.6% in Aug'21 (-2.1% in Jul'21). However, the only bright spot was three-wheeler sales registering an improvement of 59.7% in Aug'21 (40.5% in Jul'21).
- US PPI rose by 0.7% in Aug'21 (est.: 0.6%) against 1% increase in Jul'21, on MoM basis. This was led by 1% jump in goods (+0.6% in Jul'21) and 0.7% increase in services inflation (+1.1% in Jul'21). Core inflation rose by 0.3% against 0.9% increase in Aug'21. On YoY basis, PPI showed biggest gain in nearly 11-years rising by 8.3% (7.8% in Jul'21), due to supply chain bottleneck.
- Japan's PPI (MoM) came in flat (0%) in Aug'21 after rising by 1.1% in Jul'21. Increase in prices of lumber and wood products, iron and steel, and metal products was countered by dip in prices of petroleum products, agriculture products and non-ferrous metals. Even export price index eased to 0.3% in Aug'21 from 0.7% in Jul'21. Import price index remained steady at 2.2%. In YoY terms too PPI (5.5% versus 5.6%) and export prices eased (8.7% versus 9%).

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### Markets

- Bonds:** Except China (stable), global yields closed higher as ECB indicated tapering and few of Fed Presidents (Cleveland and Philadelphia) also signalled trimming of bond purchase program to begin in CY21. US 10Y rose the most (+4bps at 1.34%) followed by Germany (+3bps at -0.33%). Crude prices rose by 2.1% (US\$ 73/bbl) due to supply concerns in the US. India's 10Y yield is trading at 6.18% today.
- Currency:** Global currencies closed mixed. While EUR, JPY and AUD depreciated, GBP closed flat and INR and CNY appreciated. DXY rose by 0.1% in view of rising Covid-19 cases and ECB tapering. INR appreciated by 0.1% despite higher oil prices. It is trading lower today in line with other Asian currencies.
- Equity:** Barring Dow and Dax, other global indices ended higher. Amongst other indices, Nikkei (1.2%) gained the most followed by Shanghai Comp (0.3%). Dax ended lower as investors monitored ECB's decision to slowdown bond buying program. Sensex is trading lower today. Asian stocks too are trading lower after the government's recent crackdown on EV makers.



**Fig 1 – Movement in key global asset classes**

| Particulars                             | Current      | 1D           | 1W         | 1M         | 3M          | 12M         |
|---|--------------|--------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |              |              |            |            |             |             |
| US                                      | 1.34         | 4            | 2          | (2)        | (11)        | 68          |
| UK                                      | 0.76         | 2            | 4          | 16         | 5           | 58          |
| Japan                                   | 0.05         | 1            | 1          | 2          | 1           | 2           |
| Germany                                 | (0.33)       | 3            | 3          | 13         | (6)         | 15          |
| India <sup>AA</sup>                     | 6.18         | (1)          | 2          | (5)        | 17          | 14          |
| China                                   | 2.87         | 0            | 4          | 0          | (28)        | (28)        |
| <b>2Y yields (Δ bps)</b>                |              |              |            |            |             |             |
| US                                      | 0.21         | 0            | 1          | (1)        | 7           | 9           |
| UK                                      | 0.23         | 1            | 4          | 8          | 18          | 36          |
| Japan                                   | (0.12)       | 0            | 0          | (1)        | 0           | 0           |
| Germany                                 | (0.70)       | 1            | 0          | 4          | (2)         | (1)         |
| India <sup>A</sup>                      | 4.08         | 1            | 2          | (11)       | (49)        | (40)        |
| China                                   | 2.27         | 2            | 2          | 24         | (17)        | (34)        |
| <b>Currencies (Δ %)</b>                 |              |              |            |            |             |             |
| EUR                                     | 1.1814       | (0.1)        | (0.6)      | 0.7        | (2.4)       | (0.3)       |
| GBP                                     | 1.3839       | 0            | (0.2)      | 0.2        | (1.9)       | 8.2         |
| JPY                                     | 109.94       | (0.2)        | (0.2)      | 0.4        | (0.3)       | (3.6)       |
| AUD                                     | 0.7356       | (0.2)        | (1.4)      | 0.3        | (4.6)       | 1.0         |
| INR                                     | 73.50        | 0.1          | (0.7)      | 1.0        | (0.6)       | 0.1         |
| CNY                                     | 6.4443       | 0.2          | 0.2        | 0.5        | (0.7)       | 5.7         |
| <b>Equity &amp; Other indices (Δ %)</b> |              |              |            |            |             |             |
| Dow                                     | 34,608       | (0.8)        | (2.2)      | (2.5)      | 0.4         | 25.1        |
| FTSE                                    | 7,029        | 0.1          | (1.5)      | (2.3)      | (1.5)       | 16.5        |
| DAX                                     | 15,610       | (0.1)        | (1.1)      | (2.1)      | (0.5)       | 18.2        |
| NIKKEI                                  | 30,382       | 1.2          | 4.3        | 8.4        | 5.0         | 29.8        |
| Shanghai Comp                           | 3,703        | 0.3          | 3.4        | 5.1        | 3.2         | 13.6        |
| SENSEX                                  | 58,305       | 0.1          | 0.3        | 6.3        | 11.1        | 50.1        |
| Brent (US\$/bbl)                        | 72.92        | 2.1          | 0.4        | 2.3        | 0.3         | 83.1        |
| Gold (US\$/oz)                          | 1,788        | (0.4)        | (2.2)      | 2.0        | (4.8)       | (7.9)       |
| CRB Index                               | 556.2        | 0.4          | (0.3)      | (1.2)      | (1.3)       | 38.7        |
| Rogers Agri Index                       | 1,054.2      | 0.2          | (2.3)      | (3.4)      | (2.5)       | 42.1        |
| LIBOR (3M)*                             | 0.12         | 0            | 0          | (1)        | 0           | (13)        |
| INR 5Y Swap*                            | 5.77         | 0            | (3)        | (6)        | 11          | 19          |
| <b>India FII data (US\$ mn)</b>         |              |              |            |            |             |             |
|   | <b>8 Sep</b> | <b>7 Sep</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (42.9)       | 22.4         | 10.5       | 170.3      | (1,243.5)   | 783.7       |
| FII-Equity                              | (112.7)      | 87.7         | 32.5       | 216.1      | 7,606.6     | 280.3       |

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

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