

## MACRO DAILY

13 July 2021

### Macro developments

- India's industrial output slowed down to 29.3% in May'21, led by manufacturing and electricity. Over a 2-year horizon, it has contracted by 13.9% led by capital goods and durables. Separately, CPI inflation for Jun'21 eased to 6.26% with core inflation moderating to 6.2% from 6.5% in May'21. However, food inflation rose to 5.1% (+10bps MoM). Supply side pressure on core is likely to continue. Food inflation is expected to soften, but below normal monsoon is a risk.
- China's exports rose by 32.2% (est.: 22.9%) versus 27.9% in May'21. Despite global semiconductor shortages and port bottleneck, export growth picked up owing to easing lockdown measures and pick up in vaccination drive, globally. Apart from this, base effect was also at play as exports in Jun'20 were up by only 0.5%. Separately, import growth eased to 36.7% (est.: 29.3%) in Jun'21 from 51.1% in May'21.
- Japan's machinery orders rose at a slower pace of 9.8% in May'21 compared with 18.2% increase in Apr'21 on a MoM basis. However, core machinery orders (proxy for capital spending) rose by 7.8% in May'21 (est. 2.4% rise) from 0.6% increase in Apr'21. Sectorwise, while orders for manufacturing goods moderated to 2.8% (from 10.9%), orders for non-manufacturing goods rose by 10% (from decline of 11% in Apr'21).

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps (1.36%) ahead of inflation data. UK, Japan and Germany's 10Y yield closed flat. China's 10Y yield fell the most by 5bps as PBOC reduced reserve requirement rate (RRR). Crude prices fell by 0.5% (US\$ 75/bbl) as WHO warned of Delta variant. India's 10Y yield rose by 4bps (6.22%) eyeing CPI data.
- Currency:** Barring INR (higher) and CNY (flat), other global currencies closed lower. DXY rose by 0.1% ahead of US inflation data. GBP fell by 0.1% as Covid-19 cases continue to increase. INR rose by 0.1% as oil prices eased. It is trading further higher today, in line with other Asian currencies.
- Equity:** Barring FTSE and Sensex (flat), other global indices ended higher as investors turned their focus towards earnings for Q2CY21. Nikkei (2.2%) gained the most. Shanghai Comp (0.7%) too ended in green after PBOC reduced the RRR in order to boost liquidity and growth. Sensex ended flat. 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
<b>10Y yields (Δ bps)</b>						
US	1.36	1	(6)	(9)	(30)	75
UK	0.65	0	(6)	(6)	(14)	47
Japan	0.03	0	(1)	(1)	(8)	(1)
Germany	(0.30)	0	(9)	(2)	0	12
India	6.22	4	13	21	21	43
China	2.95	(5)	(13)	(20)	(24)	(11)
<b>2Y yields (Δ bps)</b>						
US	0.23	1	(1)	8	6	8
UK	0.09	1	4	4	4	20
Japan	(0.11)	0	0	1	1	1
Germany	(0.67)	0	(1)	1	3	(1)
India <sup>^</sup>	4.34	3	(1)	(23)	(22)	19
China	2.10	(4)	(18)	(33)	(40)	(3)
<b>Currencies (Δ %)</b>						
EUR	1.1861	(0.1)	0	(2.0)	(0.4)	4.6
GBP	1.3883	(0.1)	0.3	(1.6)	1.0	10.6
JPY	110.37	(0.2)	0.5	(0.6)	(0.9)	(2.9)
AUD	0.7476	(0.2)	(0.7)	(3.0)	(1.9)	7.7
INR	74.58	0.1	(0.4)	(2.1)	0.6	0.8
CNY	6.4759	0	(0.2)	(1.2)	1.1	7.5
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,996	0.4	0.6	1.5	3.7	34.2
FTSE	7,125	0	(0.6)	(0.1)	3.4	15.4
DAX	15,791	0.7	0.8	0.6	3.8	23.4
NIKKEI	28,569	2.2	(0.1)	(1.3)	(3.3)	25.4
Shanghai Comp	3,548	0.7	0.4	(1.2)	4.0	3.0
SENSEX	52,373	0	(1.0)	(0.2)	9.4	42.7
Brent (US\$/bbl)	75.16	(0.5)	(2.6)	3.4	18.8	75.9
Gold (US\$/oz)	1,806	(0.1)	0.8	(3.8)	4.2	0.2
CRB Index	557.3	0.5	0.5	(1.1)	9.4	53.3
Rogers Agri Index	1,034.6	1.5	(2.0)	(4.4)	8.4	51.2
LIBOR (3M)*	0.13	1	(1)	1	(6)	(15)
INR 5Y Swap*	5.80	5	8	14	13	55
<b>India FII data (US\$ mn)</b>						
	<b>9 Jul</b>	<b>8 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	10.8	13.6	8.6	(4.3)	(3,171.1)	(1,143.8)
FII-Equity	(134.4)	(85.8)	66.6	(284.4)	7,799.7	473.4

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

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