

MACRO DAILY

15 July 2021

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 121bn and stood at Rs 29.8tn for the week ending 9 July 2021. Reserve money rose by 16.6% on a YoY basis, compared with 13.9% last year. On FYTD basis, reserve money increased by 2.9% against 4.8% increase, a year ago.
- US PPI rose by 1% (MoM) in Jun'21 (est.: 0.5%) and against 0.8% increase in May'21. This was led by 0.8% increase in services inflation compared with 0.6% in May'21. Faster pace of vaccination (48% of population fully vaccinated), lent support. Goods prices however moderated slightly, to 1.2% from 1.5% in May'21. On YoY basis, PPI rose to its highest since Nov'10 by 7.3% as against 6.6% in May'21.
- China's Q2CY21 GDP rose by 7.9% (est.: 8%) versus 18.3% rise in Q1, owing to base effect. However on QoQ basis, GDP was up by 1.3% versus 0.4% in Q1. Impact of base effect was also visible on other indicators such as industrial production, which in Jun'21 rose by 8.3% (est.: 7.8%) versus 8.8% in May'21. FAI growth eased to 12.6% in H1CY21 versus 15.4% in Jan-May'21. Retail sales rose by 12.1% in Jun'21 (est.: 10.8%) versus 12.4% in May'21.

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Markets

- **Bonds:** Except China and India (stable), global yields closed lower amidst concerns over spread of Delta variant. Further, comments from Fed Chair and ECB board member that monetary stimulus is needed, also supported yields. US 10Y yield fell the most by 7bps (1.35%), followed by Germany (fell by 3bps at -0.32%). Crude prices fell by 2.3% (US\$ 75/bbl) amidst reports of an upcoming supply policy from OPEC+. India's 10Y yield closed flat at 6.2%.
- **Currency:** Barring INR (lower) and CNY (flat), other global currencies closed higher. DXY fell by 0.3% as Fed Chair reiterated that the spike in inflation is transitory suggesting that the Fed may not taper its asset purchase program soon. JPY rose the most by 0.6%. INR depreciated by 0.1% even as oil prices eased. However, it is trading higher today, in line with other Asian currencies.
- **Equity:** Global indices ended mixed. FTSE ended in red as investors monitored higher than expected inflation print in UK. Dow on the other hand ended higher on the back of dovish comments by Fed Chair. Sensex too ended higher led by strong gains in technology stocks. It is trading further higher today, while other Asian stocks are trading mixed.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.35	(7)	3	(11)	(29)	72
UK	0.63	(1)	3	(8)	(18)	46
Japan	0.02	(1)	(2)	(2)	(7)	(2)
Germany	(0.32)	(3)	(2)	(5)	(6)	13
India	6.20	0	3	19	19	39
China	2.94	0	(12)	(21)	(22)	(2)
2Y yields (Δ bps)						
US	0.22	(3)	1	8	6	7
UK	0.08	(1)	2	3	2	17
Japan	(0.12)	0	(1)	0	0	1
Germany	(0.68)	(1)	0	1	1	(1)
India [^]	4.30	(2)	(8)	(27)	(27)	14
China	2.07	(2)	(19)	(37)	(43)	(6)
Currencies (Δ %)						
EUR	1.1837	0.5	0.4	(2.2)	(1.2)	3.7
GBP	1.3860	0.3	0.4	(1.8)	0.6	10.1
JPY	109.97	0.6	0.6	(0.3)	(1.0)	(2.8)
AUD	0.7481	0.5	(0.1)	(2.9)	(3.2)	6.7
INR	74.59	(0.1)	0	(2.1)	0.6	0.7
CNY	6.4692	0	0.1	(1.1)	0.9	7.4
Equity & Other indices (Δ %)						
Dow	34,933	0.1	0.7	1.3	3.6	30.0
FTSE	7,091	(0.5)	(0.8)	(0.6)	2.2	12.7
DAX	15,789	0	0.6	0.6	3.8	22.1
NIKKEI	28,608	(0.4)	0.9	(1.2)	(3.4)	24.7
Shanghai Comp	3,529	(1.1)	(0.7)	(1.7)	3.3	5.0
SENSEX	52,904	0.3	(0.3)	0.8	9.0	46.7
Brent (US\$/bbl)	74.76	(2.3)	1.8	2.8	12.3	70.7
Gold (US\$/oz)	1,828	1.1	1.3	(2.7)	5.2	1.0
CRB Index	561.8	0.5	1.5	(0.3)	9.2	53.6
Rogers Agri Index	1,051.0	1.3	2.8	(2.8)	7.0	52.7
LIBOR (3M)*	0.13	(1)	0	1	(6)	(15)
INR 5Y Swap*	5.80	0	6	14	13	54
India FII data (US\$ mn)						
	13 Jul	12 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	64.8	(68.6)	(3.8)	(8.1)	(3,174.9)	(1,147.7)
FII-Equity	9.4	(65.9)	(56.5)	(340.9)	7,743.2	416.9

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

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