

MACRO DAILY

16 July 2021

Macro developments

- India's trade data showed that exports in Jun'21 rose to US\$ 32.5bn versus US\$ 21.9bn in Jun'20. Imports too were higher (US\$ 41.9bn) versus last year (US\$ 21.1bn). Over a 2-year horizon, exports have risen by 29.8% in Jun'21 versus 8.1% in May'21, led by increase in non-oil exports (27.7% versus 9.1%). Imports are also gradually improving with growth at 2% in Jun'21 versus 17.4% drop in May'21, led by recovery in non-oil-non-gold imports (11.4% versus 3% decline).
- US industrial production rose at a moderate pace of 0.4% in Jun'21 (est.: 0.6%) from 0.7% in May'21 on a MoM basis. This was on account of 0.1% decline in manufacturing output following 0.9% increase in May'21, led by drop in motor vehicle production. However, mining (1.4% from 0.8%) and utilities (2.7% from -0.8%) held up. Separately, US jobless claims fell by 26k to 360k for the week ending 10 Jul 2021 versus last week. This is the lowest level since 14 Mar 2020.
- BoJ in its latest policy decision has left key yield curve control targets unchanged at (-) 0.1% (for short-term rates) and 0% (for 10Y yield). However it has revised its GDP projection downward for FY22 to 3.8% from 4% estimated in Apr'21. For FY23 projection has been revised upward to 2.7% from 2.4%. BoJ has also announced it will provide zero interest funds to financial institutions in order to boost loans for activities that help combat climate change.

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Markets

- Bonds:** Except UK and China (higher), global yields closed lower. US 10Y yield fell the most by 5bps (1.3%) amidst comments from Fed Chair that monetary stimulus is likely to continue. UK's 10Y yield rose by 4bps (0.66%) as BoE Deputy Governor remarked about monetary tightening to happen soon. Crude prices fell by 1.7% (US\$ 73/bbl) on expectation of increase in supply from OPEC+. India's 10Y yield fell by 1bps (6.19%) and is trading flat today.
- Currency:** Global currencies ended mixed. DXY rose by 0.2% led by Fed's dovish comments and stronger data print from US (jobless claims). AUD drifted lower (0.8%) as lockdown restrictions impacted investor sentiments. INR appreciated by 0.1% as oil prices weakened further (US\$ 73.5/bbl). It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed. The drop in FTSE (1.1%) was on the back of comments by BoE regarding tightening its policy much earlier than anticipated due to higher inflation. On the other hand, Shanghai Comp gained by 1% followed by Sensex (0.5%). Gains in domestic market were led by real estate and capital goods 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	1.30	(5)	1	(20)	(28)	68
UK	0.66	4	5	(8)	(7)	53
Japan	0.01	(1)	(1)	(3)	(8)	(1)
Germany	(0.33)	(2)	(3)	(8)	(4)	13
India	6.19	(1)	7	19	18	38
China	2.96	2	(3)	(19)	(22)	(1)
2Y yields (Δ bps)						
US	0.22	0	3	7	6	8
UK	0.15	7	6	8	11	25
Japan	(0.12)	0	(1)	(1)	0	2
Germany	(0.68)	0	1	(1)	2	1
India [^]	4.29	0	(3)	(30)	(33)	12
China	2.04	(3)	(14)	(40)	(47)	(10)
Currencies (Δ %)						
EUR	1.1812	(0.2)	(0.3)	(2.5)	(1.3)	3.8
GBP	1.3829	(0.2)	0.3	(2.0)	0.3	10.2
JPY	109.83	0.1	(0.1)	0.2	(1.0)	(2.4)
AUD	0.7423	(0.8)	(0.1)	(3.7)	(4.2)	6.5
INR	74.55	0.1	0.2	(1.7)	0.5	0.9
CNY	6.4609	0.1	0.5	(1.0)	0.9	7.6
Equity & Other indices (Δ %)						
Dow	34,987	0.2	1.6	1.7	2.8	30.9
FTSE	7,012	(1.1)	(0.3)	(1.9)	0.4	12.2
DAX	15,630	(1.0)	1.4	(0.3)	2.5	21.4
NIKKEI	28,279	(1.2)	0.6	(3.0)	(4.6)	24.2
Shanghai Comp	3,565	1.0	1.1	(0.7)	4.9	11.0
SENSEX	53,159	0.5	1.1	1.2	8.9	45.8
Brent (US\$/bbl)	73.47	(1.7)	(0.9)	0.8	9.8	69.4
Gold (US\$/oz)	1,829	0.1	1.5	(2.0)	3.7	1.8
CRB Index	560.5	(0.2)	1.6	(0.4)	8.6	53.2
Rogers Agri Index	1,053.8	0.3	3.7	(0.4)	6.6	52.5
LIBOR (3M)*	0.13	0	1	1	(6)	(15)
INR 5Y Swap*	5.83	3	12	17	17	57
India FII data (US\$ mn)						
	14 Jul	13 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(11.4)	64.8	(15.2)	(19.5)	(3,186.3)	(1,159.0)
FII-Equity	(164.2)	9.4	(220.7)	(505.1)	7,579.0	252.7

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

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