

## MACRO DAILY

17 June 2021

### Macro developments

- India's gross direct tax collections rose to Rs 2.2tn (57%) in Q1FY22 (until 15 Jun) from Rs 1.4tn last year. Within this, Rs 969bn was under corporate tax collection, Rs 1.2tn under income tax (including security transaction). Despite the impact of second wave of Covid-19, advance tax collections for Q1FY22 were higher at Rs 288bn versus Rs 117bn last year.
- US Fed while keeping the policy rate on hold, signalled for two possible rate hikes by the end of CY23, as the economy recovers with rapid pace of vaccinations. It pointed to the possibility of gradual pull back on the bond purchase programme. Fed has revised its GDP forecast upwards to 7% for CY21 (6.5% earlier) and 2.4% for CY23 (2.2% earlier). It has also revised its inflation forecast to 3.4% for CY21 (2.4% earlier).
- China's industrial production rose by 8.8% (est.: 9.2%) in May'21 versus 9.8% in Apr'21. Over a 2-year horizon, output was up by 6.6%. FAI growth eased to 15.4% in Jan-May'21 from 19.9% in Jan-Apr'21. Over a 2-year horizon too, it was up by only 4.2%, indicating easing government stimulus to avoid over heating of the economy. Retail sales also missed expectations (13.6%) and rose by 12.4% in May'21 from 17.7% in Apr'21, in view of tighter Covid-19 restrictions.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose sharply by 8bps as Fed revised its growth and inflation forecasts upwards and hinted at rate hikes in CY23 (CY24 earlier). Germany and UK's 10Y yield fell by 2bps each. Crude prices rose by 0.5% (US\$ 74/bbl) led by fall in US inventories. India's 10Y yield closed stable (6.05%). It is trading at 6.06% today.
- Currency:** Except INR (flat), other global currencies closed lower against the dollar. DXY rose by 0.7% to a more than 1-month high as Fed signalled earlier than anticipated rate hikes. EUR depreciated the most by 1.1% followed by AUD (1%). INR was flat even as oil prices rose further. It is trading further lower today, in line with other Asian currencies.
- Equity:** Barring FTSE, other global indices ended lower as Fed signalled a hawkish stance. Amongst other indices, Shanghai Comp (1.1%) dropped the most followed by Dow (0.8%). Sensex (0.5%) too ended in red, led by losses in metal and oil and gas stocks. It is trading lower 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	1.58	8	8	(5)	(7)	84
UK	0.74	(2)	1	(12)	(9)	55
Japan	0.05	0	(2)	(4)	(5)	3
Germany	(0.25)	(2)	(1)	(12)	4	14
India	6.05	0	3	6	(14)	21
China	3.16	2	2	3	(9)	28
<b>2Y yields (Δ bps)</b>						
US	0.21	4	5	6	7	1
UK	0.08	0	2	0	(3)	13
Japan	(0.12)	0	0	1	1	2
Germany	(0.68)	(1)	0	(2)	1	(2)
India	4.28	4	(1)	(5)	(63)	(13)
China	2.46	1	4	6	(12)	46
<b>Currencies (Δ %)</b>						
EUR	1.1995	(1.1)	(1.5)	(1.2)	0.1	6.7
GBP	1.3988	(0.7)	(0.9)	(0.8)	0.2	11.4
JPY	110.71	(0.6)	(1.0)	(1.2)	(1.7)	(3.5)
AUD	0.7610	(1.0)	(1.6)	(2.1)	(2.4)	10.5
INR	73.33	0	(0.5)	0	(1.1)	3.7
CNY	6.3980	0.1	(0.2)	0.6	1.6	9.7
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,034	(0.8)	(1.2)	(1.0)	3.1	30.3
FTSE	7,185	0.2	1.5	2.0	6.2	14.9
DAX	15,711	(0.1)	0.8	1.9	7.6	26.9
NIKKEI	29,291	(0.5)	1.5	4.3	(2.1)	30.4
Shanghai Comp	3,518	(1.1)	(2.0)	0.8	2.1	19.8
SENSEX	52,502	(0.5)	1.1	7.7	5.4	56.7
Brent (US\$/bbl)	74.39	0.5	3.0	8.3	9.4	82.7
Gold (US\$/oz)	1,811	(2.6)	(4.1)	(1.7)	3.8	4.9
CRB Index	559.3	0.1	(0.1)	3.9	12.2	53.8
Rogers Agri Index	1,045.0	(0.7)	(4.2)	(1.6)	7.7	55.2
LIBOR (3M)*	0.12	1	0	(3)	(6)	(19)
INR 5Y Swap*	5.71	0	6	6	(28)	54
<b>India FII data (US\$ mn)</b>						
	<b>15 Jun</b>	<b>14 Jun</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	23.3	(32.4)	(9.1)	(264.5)	(2,845.1)	(817.8)
FII-Equity	92.8	110.3	203.1	1,636.9	8,223.0	896.7

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps

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