

MACRO DAILY

18 August 2021

Macro developments

- RBI bought record US\$ 18.6bn in the spot market (net) in Jun'21 compared with US\$ 5.8bn purchase in May'21. In Q1FY22, RBI has bought US\$ 28.7bn in the spot market versus sale of US\$ 1.4bn in Q4FY21. In the forwards market, RBI sold US\$ 10.1bn in Jun'21 versus sale of US\$ 5.1bn in May'21. RBI's net outstanding forward position stands at US\$ 49.6bn as of Jun'21.
- Retail sales in the US dropped more than expected by 1.1% in Jul'21 (est.: 0.3% decline) and against 0.7% increase seen in Jun'21. This was led by renewed inflationary concerns. Core retail sales also fell by 1% from 1.4% increase in Jun'21. In a separate print, industrial production in the US rose by 0.9% (est.: 0.5%) and against 0.2% in Jun'21. This was led by manufacturing (1.4% increase versus 0.3% decline) and mining (1.2% versus 0.5%) activities.
- As against expectations (0.5%), Reserve Bank of New Zealand delayed hiking the official cash rate (OCR), keeping it unchanged at 0.25%. This was in view of fresh Covid-19 cases in the country and current lockdown restrictions. However, official projections indicate that the OCR will be hiked at least once in CY21. A hike is impending in light of faster inflation and strong labour market. In Q2CY21, annualised CPI was at 3.3% (highest since Jun'11), and is further expected to inch up to 4.1% in Q3, much higher than RBNZ's target of 1-3%.

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Markets

- **Bonds:** Except US and Germany (stable), global yields closed lower as rising Covid-19 cases led to re-imposition of lockdown restrictions in Japan and New Zealand. Muted demand in China also impacted investor sentiments. UK, Japan and China's 10Y yield fell by 1bps each. Crude prices fell by 0.7% (US\$ 69/bbl). India's 10Y yield fell by 1bps (6.24%).
- **Currency:** Global currencies closed lower against the dollar. DXY rose by 0.5% to a more than 3-month high supported by safe-haven demand and better than estimated US industrial production data. AUD fell the most by 1.2% followed by EUR which fell by 0.8%. INR also depreciated by 0.1% following global cues. It is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Global indices ended mixed as concerns over the spread of Delta variant remain. Shanghai Comp (2%) and Dow (0.8%) fell the most, as weaker than expected data from China impacted investor sentiments. Sensex rose by 0.4%, led by gains in tech and consumer durable stocks. It is trading further higher today in line with other Asian stocks.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.26	0	(9)	(3)	(38)	59
UK	0.56	(1)	(3)	(6)	(31)	34
Japan	0.02	(1)	(1)	(1)	(7)	(2)
Germany	(0.47)	0	(1)	(12)	(37)	(1)
India ^{AA}	6.24	(1)	0	2	26	28
China	2.88	(1)	1	(7)	(25)	(10)
2Y yields (Δ bps)						
US	0.21	0	(3)	(1)	6	7
UK	0.15	1	0	3	6	19
Japan	(0.12)	1	(1)	1	1	(1)
Germany	(0.74)	0	1	(5)	(9)	(8)
India ^A	4.17	(2)	(7)	(12)	(18)	(10)
China	1.93	(11)	(8)	(8)	(46)	(32)
Currencies (Δ %)						
EUR	1.1710	(0.6)	(0.1)	(0.8)	(4.2)	(1.9)
GBP	1.3741	(0.8)	(0.7)	(0.2)	(3.2)	3.8
JPY	109.60	(0.3)	0.9	0.4	(0.6)	(4.0)
AUD	0.7253	(1.2)	(1.3)	(2.0)	(6.9)	0.1
INR	74.35	(0.1)	0.1	0.3	(1.8)	0.5
CNY	6.4863	(0.2)	0	(0.1)	(0.9)	6.3
Equity & Other indices (Δ %)						
Dow	35,343	(0.8)	0.2	1.9	3.8	27.2
FTSE	7,181	0.4	0.3	2.5	2.1	18.2
DAX	15,922	0	1.0	2.5	3.5	23.6
NIKKEI	27,424	(0.4)	(1.7)	(2.1)	(3.5)	19.0
Shanghai Comp	3,447	(2.0)	(2.4)	(2.6)	(2.3)	(0.1)
SENSEX	55,792	0.4	2.3	5.0	11.2	44.8
Brent (US\$/bbl)	69.03	(0.7)	(2.3)	(6.2)	0.5	51.8
Gold (US\$/oz)	1,786	(0.1)	3.3	(1.4)	(4.5)	(10.8)
CRB Index	566.0	0.4	1.4	0.9	4.4	47.4
Rogers Agri Index	1,092.3	(1.0)	1.7	3.1	2.5	52.7
LIBOR (3M)*	0.12	0	0	(1)	(3)	(13)
INR 5Y Swap*	5.80	(4)	(8)	(8)	4	44
India FII data (US\$ mn)						
	13 Aug	12 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(20.8)	(43.2)	(78.6)	(53.5)	(3,306.7)	(1,279.4)
FII-Equity	(15.3)	39.0	112.8	610.8	6,989.0	(337.4)

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

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