

MACRO DAILY

19 July 2021

Macro developments

- India's foreign exchange reserves rose to a lifetime high of US\$ 611.9bn in the week ended 9 Jul 2021. Forex reserves rose by US\$ 1.9bn this week compared with an increase of US\$ 1bn in the previous week. In FYTD22, forex reserves have increased by US\$ 32.6bn compared with an accretion of US\$ 40.8bn in the same period last year.
- US advance retail sales rose more than expected by 0.6% in Jun'21 (est.: 0.3% decline) against 1.7% drop seen in May'21, on MoM basis. Core retail sales also increased by 1.1% (est.: 0.4%) compared with 1.4% fall in May'21. In a separate print, University of Michigan consumer sentiment index dropped to 80.8 in Jul'21 (est.: 86.5) and against 85.5 in Jun'21, dented by higher inflation expectations.
- Euro Area's CPI eased to 1.9% in Jun'21 (YoY) from 2% in May'21 led by drop in prices of energy (12.6% versus 13.1%) and services (0.7% versus 1.1%). On the other hand prices of non-energy industrial goods rose by 1.2% from 0.7% in May'21. Food prices remain stable at 0.9%. Core inflation (excl food, energy, alcohol and tobacco) eased to 0.9% from 1% in May'21.

Dipanwita Mazumdar |
Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Except Japan (higher), global yields closed lower. UK's 10Y yield fell the most by 4bps (0.63%) as daily infections rose for the first time since Jan'21 above 50K. US 10Y yield fell a tad by 1bps (1.29%). Crude prices rose by 0.2% (US\$ 74/bbl). India's 10Y yield rose by 2bps (6.21%) as RBI did not include on-the-run securities in the current G-SAP auction.
- Currency:** Except INR (flat), other global currencies closed lower against the dollar as rising COVID-19 cases globally dented risk-sentiment. DXY rose by 0.1% as US retail sales were better than expected. GBP fell the most by 0.4%, followed by AUD and CNY both falling by 0.3% each. INR is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended lower as concerns over highly transmissible delta variant dented investor sentiments. Amongst other indices, Nikkei (1%) declined the most followed by Dow (0.9%) and Shanghai Comp (0.7%). Sensex ended flat. 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
10Y yields (Δ bps)						
US	1.29	(1)	(7)	(20)	(29)	66
UK	0.63	(4)	(3)	(13)	(14)	46
Japan	0.03	1	(1)	(3)	(7)	0
Germany	(0.35)	(2)	(6)	(12)	(9)	9
India ^{AA}	6.21	2	3	17	12	41
China	2.95	(1)	(5)	(20)	(21)	(2)
2Y yields (Δ bps)						
US	0.22	0	1	6	6	8
UK	0.12	(3)	3	4	8	21
Japan	(0.12)	0	(1)	(1)	(1)	0
Germany	(0.68)	(1)	(1)	(1)	1	(2)
India ^A	4.29	(1)	(3)	(33)	(34)	13
China	2.02	(2)	(12)	(43)	(44)	(4)
Currencies (Δ %)						
EUR	1.1806	(0.1)	(0.6)	(2.6)	(1.5)	3.3
GBP	1.3767	(0.4)	(1.0)	(2.2)	(0.5)	9.5
JPY	110.07	(0.2)	0.1	0	(1.2)	(2.8)
AUD	0.7401	(0.3)	(1.2)	(3.7)	(4.3)	5.8
INR	74.56	0	0.1	(1.7)	(0.3)	0.6
CNY	6.4791	(0.3)	0	(1.1)	0.6	7.3
Equity & Other indices (Δ %)						
Dow	34,688	(0.9)	(0.5)	1.1	1.4	30.1
FTSE	7,008	(0.1)	(1.6)	(2.3)	(0.2)	11.4
DAX	15,540	(0.6)	(0.9)	(1.2)	0.5	20.3
NIKKEI	28,003	(1.0)	0.2	(4.9)	(5.7)	23.4
Shanghai Comp	3,539	(0.7)	0.4	(0.5)	3.3	10.1
SENSEX	53,140	0	1.4	0.7	8.8	43.5
Brent (US\$/bbl)	73.59	0.2	(2.6)	(0.5)	10.2	70.6
Gold (US\$/oz)	1,812	(1.0)	0.2	(2.5)	2.0	0.1
CRB Index	561.1	0.1	1.2	0.4	8.9	53.0
Rogers Agri Index	1,059.3	0.5	3.9	0.6	7.0	52.4
LIBOR (3M)*	0.13	1	1	1	(5)	(14)
INR 5Y Swap*	5.87	4	12	16	27	62
India FII data (US\$ mn)						
	15 Jul	14 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	100.3	(11.4)	85.1	80.8	(3,086.0)	(1,058.7)
FII-Equity	51.4	(164.2)	(169.3)	(453.7)	7,630.4	304.1

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps | **5.85GS2030, ^ 4.26GS2023 security

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com