

MACRO DAILY

01 July 2021

Macro developments

- India's eight core industries output eased to 16.8% in May'21 from 60.9% in Apr'21. The moderation was led by refinery (15.3% from 30.9% in May'21), steel (59.3% from 472.7% in May'21) and cement (7.9% from 582.7% in May'21). Over a 2-year horizon, infrastructure index is down by 8.2% in May'21. However, with rapid vaccination drive and easing of state-wide restrictions, we expect a gradual recovery in coming months.
- India's central government finances indicate that the impact of second wave of Covid-19 on government revenues was much less compared with the first wave. Gross tax revenues rose to Rs 3.1tn in Apr-May'21 versus Rs 1.3tn last year. Indirect tax collections were more robust (Rs 1.9tn versus 0.7tn). Total expenditure eased marginally to Rs 4.7tn versus Rs 5.1tn, as much of the front loading was done in Q4FY21. Capex spending remained steady (Rs 0.6tn), and cuts were seen mainly in revenue expenditure (Rs 4.2tn versus Rs 4.6tn).
- As per ADP, private sector payrolls in the US rose by 692,000 in Jun'21 (est.: 550,000) versus 886,000 in May'21. Biggest gains were seen in leisure and hospitality sector (332k) and education and health services (123k). Additions in manufacturing sector slowed (19k). Separately, NAR data showed that pending home sales index rose by 8% (MoM) in May'21 (est.: 0.8% decline) versus 4.4% drop in Apr'21 despite increase in home prices and mortgage rates.

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Markets

- Bonds:** Global yields closed broadly lower. Germany's 10Y yield fell the most by 4bps (-0.21%). US 10Y yield closed stable at 1.47% as investors remained cautious tracking private payroll numbers and comments from Fed Reserve President. Crude prices rose by 0.5% (US\$ 75/bbl) as US inventory dropped. India's 10Y yield rose by 2bps (6.05%) amidst news reports of additional ~Rs 1.6tn borrowing by Centre in Jul'21.
- Currency:** Except CNY (higher) and GBP (flat), other global currencies closed lower against the dollar. DXY rose by 0.4% to a more than 2-month high as US private payrolls rose more than expected in Jun'21. JPY fell by 0.5% to its lowest since Mar'20. INR depreciated by 0.1% as oil prices inched up further. It is trading further lower today, in line with other Asian currencies.
- Equity:** Barring Dow and Shanghai Comp, other global indices ended lower as investors awaited data on US labor markets. FTSE fell by 0.7% as UK'S GDP dropped more than expected. Sensex (0.1%) too ended lower led by power and banking stocks. However, it is trading 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	1.47	0	(2)	(13)	(27)	79
UK	0.72	(2)	(6)	(8)	(13)	51
Japan	0.06	0	0	(3)	(4)	1
Germany	(0.21)	(4)	(3)	(2)	9	19
India	6.05	2	3	5	(12)	21
China	3.09	(1)	0	0	(10)	24
2Y yields (Δ bps)						
US	0.25	0	(1)	11	9	9
UK	0.06	0	(3)	0	(4)	13
Japan	(0.09)	2	1	3	3	4
Germany	(0.66)	(1)	(1)	0	3	(1)
India	4.59	0	9	32	(8)	40
China	2.35	(5)	(10)	(1)	(18)	26
Currencies (Δ %)						
EUR	1.1858	(0.3)	(0.6)	(2.7)	1.1	5.4
GBP	1.3831	0	(1.0)	(2.5)	0.3	10.9
JPY	111.11	(0.5)	(0.1)	(1.1)	(0.4)	(3.4)
AUD	0.7498	(0.2)	(1.0)	(2.8)	(1.3)	8.4
INR	74.33	(0.1)	(0.1)	(2.6)	(1.7)	1.7
CNY	6.4571	0.1	0.3	(1.4)	1.5	8.7
Equity & Other indices (Δ %)						
Dow	34,503	0.6	1.9	(0.1)	4.6	34.1
FTSE	7,037	(0.7)	(0.5)	0.2	4.8	14.3
DAX	15,531	(1.0)	0.5	0.1	3.5	26.7
NIKKEI	28,792	(0.1)	(0.3)	(1.2)	(1.3)	30.2
Shanghai Comp	3,591	0.5	0.7	(0.3)	4.3	18.7
SENSEX	52,483	(0.1)	0.3	2.1	6.0	48.2
Brent (US\$/bbl)	75.13	0.5	(0.1)	7.9	18.2	78.8
Gold (US\$/oz)	1,770	0.5	(0.5)	(7.0)	3.7	0.0
CRB Index	556.0	(0.1)	0.5	1.4	9.7	53.2
Rogers Agri Index	1,061.9	2.5	3.1	0.7	11.5	55.1
LIBOR (3M)*	0.14	0	0	1	(5)	(15)
INR 5Y Swap*	5.73	2	7	1	(11)	42
India FII data (US\$ mn)						
	29 Jun	28 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(66.0)	(5.5)	(71.5)	(583.1)	(3,163.7)	(1,136.5)
FII-Equity	443.3	(158.7)	284.6	1,648.7	8,234.8	908.5

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

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