

MACRO DAILY

01 September 2021

Macro developments

- India's economy reported a sharp rebound at 20.1% in Q1FY22 over a low base of (-) 24.4% last year. Exports and investment demand led the uptick. Consumption is recovering at a slower pace and likely to do so in the near-term as well. Construction and manufacturing are the GVA growth drivers and will continue to do well in the near-term. Contact intensive trade, hotels category are expected to rebound with a lag.
- Centre's fiscal deficit (% of GDP) eased sharply to 6.1% in Jul'21 (12MMA basis) from 6.7% in Jun'21, owing to improvement in revenue collections and steady expenditure growth. In FYTD22 (Apr-Jul), centre's net revenue has jumped to Rs 6.7tn versus Rs 2.3tn in FYTD21 and Rs 3.8tn in FYTD20. The increase is led by both direct (Rs 3tn in FYTD22 versus Rs 2.2tn in FY20) and indirect tax collections (Rs 3.9tn versus Rs 3.2tn). Overall expenditure is broadly steady at Rs 10tn versus 10.5tn in FYTD21 and Rs 9.5tn in FYTD20.
- US Conference Board consumer confidence index dropped to 113.8 in Aug'21 (est.: 123) from 125.1 in Jul'21. The 6-month low reading was driven by surge in Covid-19 cases and rising prices of food and fuel. As consumers became less certain about future job prospects and income, expectations index also fell to 7-month low of 91.4 from 103.8 in Jul'21. Consumers indicated that they were less likely to spend on homes, autos and major appliances in the near-term.

Jahnvi | Sameer Narang
chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed. UK (14bps) and Germany's (6bps) 10Y yield jumped the most as higher than expected inflation print of the Eurozone (3% in Aug'21 versus Central Bank's target of 2%) impacted sentiments. US 10Y yield rose by 3bps to 1.31%. Brent fell by 0.6% to US\$ 73/bbl. As a result India's 10Y yield closed 1bps lower at 6.22%. It is trading higher at 6.23% today.
- Currency:** Barring GBP (flat) and JPY (lower), other global currencies closed higher against the dollar. DXY closed flat awaiting US jobs report. INR appreciated by 0.4% as Brent dropped by 0.6%. This was followed by AUD (0.3%) and EUR (0.1%). INR is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed led by subdued data print (Euro area's inflation and China's PMI print). While, European indices ended in red, Sensex (1.2%) ended at an all-time high. Technology and consumer durable stocks advanced the most. It is trading higher today signalling confidence over the ongoing economic recovery. However, Asian stocks are trading mixed.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.31	3	2	9	(30)	64
UK	0.71	14	18	15	(11)	42
Japan	0.03	0	1	0	(6)	(2)
Germany	(0.38)	6	10	8	(21)	4
India ^{AA}	6.22	(1)	(3)	1	19	27
China	2.85	0	(1)	(1)	(24)	(22)
2Y yields (Δ bps)						
US	0.21	1	(1)	3	6	8
UK	0.22	10	9	16	15	32
Japan	(0.13)	(2)	(2)	(1)	(1)	(1)
Germany	(0.71)	2	3	5	(5)	(4)
India ^A	4.12	1	(2)	(11)	(18)	(24)
China	2.24	(1)	34	24	(10)	(26)
Currencies (Δ %)						
EUR	1.1809	0.1	0.5	(0.5)	(3.3)	(0.9)
GBP	1.3755	0	0.2	(1.1)	(2.8)	2.8
JPY	110.02	(0.1)	(0.3)	(0.3)	(0.5)	(3.8)
AUD	0.7316	0.3	0.8	(0.4)	(5.6)	(0.8)
INR	73.01	0.4	1.6	1.9	(0.1)	(0.2)
CNY	6.4607	0.1	0.2	0.0	(1.2)	5.4
Equity & Other indices (Δ %)						
Dow	35,361	(0.1)	0	1.2	2.3	23.4
FTSE	7,120	(0.1)	(0.1)	1.2	0.6	21.5
DAX	15,835	(0.3)	(0.4)	1.9	1.7	22.1
NIKKEI	28,090	1.1	1.3	3.0	(2.5)	21.4
Shanghai Comp	3,544	0.4	0.8	4.3	(2.2)	3.9
SENSEX	57,552	1.2	2.8	9.4	10.8	47.9
Brent (US\$/bbl)	72.99	(0.6)	2.7	(4.4)	3.9	60.1
Gold (US\$/oz)	1,814	0.2	0.6	0	(4.6)	(7.9)
CRB Index	559.6	(0.1)	0	(0.5)	1.4	42.0
Rogers Agri Index	1,070.5	(0.9)	(1.3)	1.0	(0.5)	44.0
LIBOR (3M)*	0.12	0	0	0	(1)	(13)
INR 5Y Swap*	5.78	6	1	(2)	6	26
India FII data (US\$ mn)						
	30 Aug	27 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	37.9	41.7	37.9	1,619.3	(1,633.9)	393.4
FII-Equity	233.3	(83.3)	233.3	627.9	7,006.0	(320.3)

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com