

MACRO DAILY

23 August 2021

Macro developments

- India's EPFO data shows that net payroll additions rose to 12.8mn in Jun'21 from 7.7mn in May'21. With this, net additions are at 30.3mn in Q1FY22, slightly lower than 33.6mn in Q4FY21, thus showing the impact of second wave of Covid-19. However, the impact was far less than the first wave, when additions fell by 4.5mn in Q1FY21. New additions to subscriber base has also shown similar trend with 21.9mn additions in Q1FY22 versus 24.1mn in Q4FY21 and 11mn in Q1FY21. However, new additions remain far below pre-pandemic levels (33mn in Q1FY20).
- Producer prices in Germany rose more than anticipated by 1.9% in Jul'21 (est.:0.8%) and against 1.3% increase in Jun'21. On a YoY basis, prices rose the most since Jan'75 by 10.4% versus 8.5% in Jun'21. This was led by sharp increase in prices for all energy sources and non-durable consumer goods.
- Flash global and services PMIs for Japan and Australia shows that activities slowed considerably in both countries in Aug'21. While manufacturing PMI in Japan eased to 51 (51.8 in Jul'21), it was down to 51.7 in Australia (56.9 in Jul'21). Services activity fell further into contraction, with PMI at 43.5 in Japan (47.4 in Jul'21) and at 43.3 in Australia (44.2 in Jul'21). Surge in cases due to Delta variant has impacted businesses in both countries, with new order growth slowing. Supply chain bottlenecks also remained a concern in Japan.

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Markets

- Bonds:** Global yields closed mixed. 10Y yields in UK (2bps), Germany and Japan (1bps) closed lower due to rising Covid-19 cases. US 10Y yield rose by 1bps (1.26%) as Fed hinted at reducing asset purchase program in CY21. Crude prices fell by 1.9% (US\$ 65/bbl-lowest since May'21) due to demand concerns. India's 10Y yield rose by 1bps (6.23%). It is trading at 6.24% today.
- Currency:** Except EUR (higher) and JPY (flat), other global currencies closed lower against the dollar. DXY fell by 0.1% from a 9-month high. AUD fell the most by 0.2% amidst concerns over spread of Covid-19. INR depreciated by 0.2% despite lower oil prices. However it is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors continued to monitor spread of Covid-19 Delta variant and talks of Fed tapering. Shanghai Comp fell by 1.1% as regulatory uncertainty around tech sector impacted sentiments. However, Dow rose by 0.6%. Sensex fell by 0.5% led by metal and real estate stocks. However, it is trading 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	1	(2)	3	(37)	63
UK	0.52	(2)	(5)	(4)	(31)	32
Japan	0.01	(1)	(2)	0	(7)	(2)
Germany	(0.50)	(1)	(3)	(9)	(37)	1
India ^{AA}	6.23	1	(1)	4	26	15
China	2.85	1	(4)	(8)	(22)	(14)
2Y yields (Δ bps)						
US	0.22	0	2	2	7	8
UK	0.10	(2)	(4)	1	6	15
Japan	(0.12)	1	(1)	1	0	(1)
Germany	(0.75)	0	(1)	(3)	(9)	(6)
India ^A	4.12	(3)	(7)	(13)	(17)	(20)
China	1.91	(1)	(13)	(7)	(49)	(53)
Currencies (Δ %)						
EUR	1.1698	0.2	(0.8)	(0.7)	(4.0)	(0.8)
GBP	1.3623	(0.1)	(1.8)	(0.0)	(3.7)	4.1
JPY	109.78	0	(0.2)	0.1	(0.8)	(3.8)
AUD	0.7132	(0.2)	(3.2)	(2.7)	(7.8)	(0.4)
INR	74.40	(0.2)	(0.2)	0.3	(2.1)	0.6
CNY	6.5015	(0.1)	(0.4)	(0.3)	(1.0)	6.0
Equity & Other indices (Δ %)						
Dow	35,120	0.6	(1.1)	1.8	2.7	25.7
FTSE	7,088	0.4	(1.8)	3.0	1.0	18.1
DAX	15,808	0.3	(1.1)	3.9	2.4	23.8
NIKKEI	27,013	(1.0)	(3.4)	(1.4)	(4.6)	17.9
Shanghai Comp	3,427	(1.1)	(2.5)	(3.1)	(1.7)	1.4
SENSEX	55,329	(0.5)	(0.2)	6.0	9.5	44.0
Brent (US\$/bbl)	65.18	(1.9)	(7.7)	(6.0)	(1.9)	47.0
Gold (US\$/oz)	1,781	0	0.1	(1.6)	(5.3)	(8.2)
CRB Index	560.0	(0.5)	(0.8)	0.1	3.6	44.9
Rogers Agri Index	1,065.1	(1.0)	(3.5)	0.7	1.2	47.9
LIBOR (3M)*	0.13	0	1	(1)	(2)	(12)
INR 5Y Swap*	5.83	1	(1)	0	18	35
India FII data (US\$ mn)						
	18 Aug	17 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	33.0	107.5	140.5	87.0	(3,166.2)	(1,138.9)
FII-Equity	148.4	259.4	407.8	1,018.6	7,396.8	70.4

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

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