

## MACRO DAILY

23 July 2021

### Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 79.5bn and stood at Rs 29tn for the week ending 16 Jul 2021. Reserve money rose at a faster pace by 17.1% on a YoY basis, compared with 13.9% last year. On financial year basis, reserve money increased by 3.7% from 5.1% increase, a year ago.
- US existing home sales rose by 1.4% in Jun'21 on MoM basis following 0.9% decline in May'21. Sales rebounded despite median prices hitting a record high of US\$ 363,300 (23.4% YoY increase) in Jun'21. Inventory of homes rose marginally to 2.6 months from 2.5 months in May'21. A 6-7 months' supply is considered healthy. Increase in prices is owing to supply chain disruptions, pushing the cost of lumber and concrete higher. Separately, initial jobless claims for the week ending 17 Jul 2021 rose by 51k from last week to 419k (est.: 350k). The 4-week moving average was at 3.34mn (lowest since Mar'21).
- ECB in its recent policy kept key rates unchanged and tweaked its guidance towards a "symmetric" 2% inflation target from "below but close to 2%" earlier, over the medium term. This was in line with the decision taken in its Frankfurt meeting which gives ECB room for more stimulus. Bond purchase program has been kept unchanged at € 1.85tn (US\$ 2.2tn). Inflation trajectory is at 1.9% for CY21, followed by a decrease to 1.5% and 1.4% in CY22 and CY23 respectively.

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### Markets

- **Bonds:** Except Japan (stable) and China (higher), global yields closed lower. Germany's 10Y yield fell by 3bps (-0.43%) as ECB vowed to be "persistently accommodative" in its recent policy. US 10Y yield fell by 1bps (1.28%) as jobless claims print was dismal. Crude prices rose by 2.2% (US\$ 74/bbl) on expectation of demand recovery, with vaccination gaining ground. India's 10Y yield rose by 1bps (6.2%).
- **Currency:** Except CNY (flat) and EUR (lower), other global currencies closed higher. EUR fell by 0.2% as ECB vowed to keep rates low. DXY also rose by 0.1% even as US jobless claims rose unexpectedly. INR appreciated by 0.2% despite higher oil prices. It is trading lower today in line with other Asian currencies.
- **Equity:** Barring FTSE (lower) and Nikkei (flat), other global indices ended higher as investor monitored dovish comments by ECB. Amongst other indices, Sensex (1.2%) surged the most erasing its previous session losses. Metal and capital goods stocks advanced the most. However, it is trading lower today, while other Asian stocks are trading mixed.



**Fig 1 – Movement in key global asset classes**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.28	(1)	(2)	(21)	(26)	70
UK	0.57	(4)	(10)	(20)	(17)	44
Japan	0.02	0	0	(3)	(5)	0
Germany	(0.43)	(3)	(9)	(26)	(17)	6
India <sup>AA</sup>	6.20	1	1	17	15	40
China	2.93	1	(3)	(18)	(23)	1
<b>2Y yields (Δ bps)</b>						
US	0.20	(1)	(2)	(5)	5	5
UK	0.07	(3)	(8)	(6)	3	17
Japan	(0.13)	0	0	(1)	0	0
Germany	(0.72)	(1)	(4)	(7)	(3)	(5)
India <sup>A</sup>	4.27	1	(2)	(48)	(30)	9
China	1.96	(1)	(8)	(51)	(45)	(11)
<b>Currencies (Δ %)</b>						
EUR	1.1771	(0.2)	(0.3)	(1.2)	(2.0)	1.5
GBP	1.3768	0.4	(0.4)	(1.2)	(0.5)	8.1
JPY	110.14	0.1	(0.3)	0.1	(2.0)	(3.1)
AUD	0.7379	0.3	(0.6)	(2.1)	(4.3)	4.0
INR	74.47	0.2	0.1	(0.5)	0.7	0.4
CNY	6.4707	0	(0.2)	(0.1)	0.3	7.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,823	0.1	(0.5)	2.8	3.0	30.7
FTSE	6,968	(0.4)	(0.6)	(1.3)	0.4	12.2
DAX	15,515	0.6	(0.7)	(0.6)	1.3	18.4
NIKKEI	27,548	0	(2.6)	(1.7)	(5.6)	21.1
Shanghai Comp	3,575	0.3	0.3	1.3	3.2	7.5
SENSEX	52,837	1.2	(0.6)	0.5	9.9	38.5
Brent (US\$/bbl)	73.79	2.2	0.4	(1.5)	12.8	70.4
Gold (US\$/oz)	1,807	0.2	(1.2)	1.3	1.3	(4.3)
CRB Index	560.2	0.1	(0.1)	1.0	7.2	50.5
Rogers Agri Index	1,061.8	0	0.8	3.2	2.3	52.9
LIBOR (3M)*	0.14	0	0	0	(4)	(11)
INR 5Y Swap*	5.85	2	2	17	37	59
<b>India FII data (US\$ mn)</b>						
	<b>20 Jul</b>	<b>19 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(80.5)	(13.2)	(93.7)	(37.0)	(3,203.8)	(1,176.5)
FII-Equity	(371.7)	(304.7)	(676.3)	(1,186.8)	6,897.3	(429.0)

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

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