

MACRO DAILY

25 August 2021

Macro developments

- Weekly GST e-way bill generation data shows that after a slow start in Aug'21, activity has gathered momentum. In Aug'21 so far (as of 22 Aug 2021), 45.6mn bills have been generated versus 49.6mn in Jul'21 (as of 25 Jul'21). The average run-rate of daily e-way bills generated has increased to 2.07mn (+4.4% MoM) in the first 22 days of Aug'21 versus 1.98mn in the first 25 days of Jul'21.
- Germany's GDP growth accelerated to 1.6% in Q2CY21 (est.: 1.5%) versus 2% contraction in Q1, on a QoQ basis. This was led by pickup in household consumption demand (3.2% increase versus 5.2% decline), government consumption demand (1.8% increase versus 0.7% decline) and gross fixed capital formation (0.5% increase versus 0.7% decline). Export and import growth however moderated to 0.5% (from 1.4%) and 2.1% (from 4.2%) respectively.
- US new home sales rose by 1% in Jul'21, following a 2.6% decline in Jun'21 on a MoM basis. However, on a YoY basis, sales are still down by 27.2%. This could be attributed to record high prices with median home price inching up by 18.4% (YoY). While sales have seen a monthly turnaround, the trend is unlikely to sustain, as delivery times are taking longer than usual. Builders are facing shortage of raw material and labour.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose the most by 4bps (1.29%) as new home sales data remained satisfactory. UK, Germany and Japan's 10Y closed stable as concerns about Delta variant faded. Crude prices rose by 3.3% (US\$ 71/bbl) led by drop in US inventory. Thus, India's 10Y yield rose by 1bps (6.25%). It is trading at 6.26% today.
- Currency:** Except JPY and INR (flat), other global currencies closed higher against the dollar. DXY fell for the third straight session awaiting comments from Fed Chair at the Jackson Hole symposium. AUD rose the most by 0.7% as risk-sentiment improved. INR is trading lower today while other Asian currencies are trading mixed.
- Equity:** Global indices ended higher led by optimism as fears over Delta variant eased, supported by full approval to Pfizer Covid-19 vaccine. Further, investors also turned their focus towards upcoming Jackson Hole symposium. Shanghai Comp (1.1%) surged the most followed by Nikkei (0.9%). Sensex (0.7%) too ended in green led by gains in metal and capital goods stocks. 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	1.29	4	3	2	(27)	61
UK	0.54	0	(2)	(5)	(25)	28
Japan	0.02	0	0	0	(6)	(2)
Germany	(0.48)	0	(1)	(6)	(31)	(5)
India ^{AA}	6.25	1	1	2	28	12
China	2.86	(1)	(3)	(6)	(22)	(20)
2Y yields (Δ bps)						
US	0.22	0	1	2	8	7
UK	0.13	1	(2)	5	11	15
Japan	(0.11)	1	1	2	2	0
Germany	(0.74)	0	(1)	(2)	(8)	(9)
India ^A	4.14	1	(2)	(10)	(15)	(24)
China	1.91	(1)	(3)	(4)	(41)	(56)
Currencies (Δ %)						
EUR	1.1756	0.1	0.4	(0.1)	(4.0)	(0.7)
GBP	1.3729	0.1	(0.1)	(0.1)	(3.0)	4.4
JPY	109.65	0	0	0.8	(0.8)	(3.1)
AUD	0.7258	0.7	0.1	(1.5)	(6.4)	0.9
INR	74.19	0	0.2	0.3	(1.9)	0.2
CNY	6.4714	0.2	0.2	0.2	(0.9)	6.4
Equity & Other indices (Δ %)						
Dow	35,366	0.1	0.1	0.9	3.1	25.2
FTSE	7,126	0.2	(0.8)	1.4	1.4	18.0
DAX	15,906	0.3	(0.1)	1.5	2.9	21.8
NIKKEI	27,732	0.9	1.1	0.7	(2.9)	19.0
Shanghai Comp	3,514	1.1	2.0	(1.0)	(1.9)	4.2
SENSEX	55,959	0.7	0.3	5.6	10.5	44.1
Brent (US\$/bbl)	71.05	3.3	2.9	(4.1)	3.5	54.9
Gold (US\$/oz)	1,803	(0.1)	0.9	0	(5.1)	(6.5)
CRB Index	559.9	0.1	(1.1)	0	4.2	43.6
Rogers Agri Index	1,085.0	1.2	(0.7)	2.5	4.6	48.8
LIBOR (3M)*	0.13	0	0	0	(1)	(12)
INR 5Y Swap*	5.77	(7)	(3)	(6)	10	23
India FII data (US\$ mn)						
	23 Aug	20 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(18.8)	11.2	(18.8)	79.4	(3,173.8)	(1,146.5)
FII-Equity	(182.4)	69.5	(182.4)	905.7	7,283.9	(42.5)

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

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