

## MACRO DAILY

26 July 2021

### Macro developments

- India's foreign exchange reserves rose to a fresh record high of US\$ 612.7bn in the week ended 16 Jul 2021. Forex reserves rose by US\$ 0.8bn last week, lower compared with an accretion of US\$ 1.9bn in the previous week. In FYTD22, forex reserves have risen by US\$ 33.4bn compared with an accretion of US\$ 42.1bn in the same period last year.
- Barring US (63.1 in Jul'21 versus 62.1 in Jun'21), flash manufacturing PMIs in Jul'21 eased elsewhere in Japan (50.5 versus 50.7), UK (60.4 versus 63.9) and Eurozone (62.6 versus 63.4). Rising Covid-19 cases and shortage of raw materials were cited as key reasons for this. On the other hand, flash services PMI for Eurozone continued to inch up (60.4 versus 58.3), while it eased sharply in Japan (46.4 versus 48), US (59.8 versus 64.6) and UK (57.8 versus 62.4).
- UK's Gfk consumer confidence index rose to (-) 7 in Jul'21 from (-) 9 in Jun'21 est.: (-) 8, indicating confidence back to pre-pandemic levels (Feb'20). The jump was driven by an increase of 7 points in major purchase index (2 from -5). Resurgence in Covid-19 cases and expectation of higher inflation impacted the future (next 12 months) personal finance situation index (down 1 point) and the general economic situation index (down 3 points).

**Aditi Gupta | Sameer Narang**

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield closed stable at 1.28% looking for cues from the upcoming Fed meeting and also on the back of modest services PMI. UK's 10Y yield rose by 2bps (0.58%) as retail sales picked up. China's 10Y yield fell by 2bps (2.91%) amidst rising Covid-19 cases and flood situation. Crude prices rose by 0.4% (US\$ 74/bbl). India's 10Y yield rose by 3bps (6.23%) due to Rs 111bn devolvement on PDs for 6.01GS2031 security.
- Currency:** Except EUR (flat) and INR (higher), other global currencies closed lower. DXY rose by 0.1% as investors await Fed policy meeting. EUR closed flat even as Eurozone's services PMI improved in Jul'21. GBP depreciated by 0.1% despite stronger retail sales and consumer confidence. INR appreciated by 0.1%. However it is trading lower today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices ended higher as investors monitored corporate earnings. European indices surged the most on the back of strong data print (services PMI and higher UK retail sales). Sensex (0.3%) too ended in green led by gains in real estate and banking stocks. 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	0	(1)	(22)	(28)	69
UK	0.58	2	(4)	(16)	(16)	44
Japan	0.02	0	(1)	(4)	(5)	0
Germany	(0.42)	1	(7)	(23)	(16)	3
India <sup>AA</sup>	6.23	3	2	22	19	41
China	2.91	(2)	(4)	(18)	(26)	4
<b>2Y yields (Δ bps)</b>						
US	0.20	0	(2)	(7)	4	5
UK	0.08	1	(4)	1	4	17
Japan	(0.13)	0	0	(2)	0	0
Germany	(0.73)	(1)	(4)	(8)	(4)	(8)
India <sup>A</sup>	4.25	(2)	(4)	(52)	(26)	8
China	1.95	(1)	(7)	(45)	(45)	(31)
<b>Currencies (Δ %)</b>						
EUR	1.1771	0	(0.3)	(1.3)	(2.7)	1.0
GBP	1.3748	(0.1)	(0.1)	(1.2)	(0.9)	7.5
JPY	110.55	(0.4)	(0.4)	0.3	(2.5)	(4.2)
AUD	0.7366	(0.2)	(0.5)	(2.9)	(4.8)	3.7
INR	74.41	0.1	0.2	(0.3)	0.8	0.6
CNY	6.4813	(0.2)	0	(0.1)	0.2	7.7
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,062	0.7	1.1	2.5	3.0	32.5
FTSE	7,028	0.9	0.3	(1.2)	1.3	14.8
DAX	15,669	1.0	0.8	0.5	2.6	22.1
NIKKEI	27,548	0.6	(1.6)	(4.6)	(5.1)	21.1
Shanghai Comp	3,550	(0.7)	0.3	(0.5)	2.2	11.1
SENSEX	52,976	0.3	(0.3)	0.5	10.6	38.9
Brent (US\$/bbl)	74.10	0.4	0.7	(1.9)	12.1	71.0
Gold (US\$/oz)	1,802	(0.3)	(0.5)	1.5	1.4	(5.3)
CRB Index	559.7	(0.1)	(0.2)	1.1	6.7	49.8
Rogers Agri Index	1,058.3	(0.3)	(0.1)	3.1	1.3	52.5
LIBOR (3M)*	0.13	0	(1)	(2)	(5)	(12)
INR 5Y Swap*	5.83	(2)	(4)	15	31	60
<b>India FII data (US\$ mn)</b>						
	<b>22 Jul</b>	<b>20 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(116.7)	(80.5)	(210.4)	(153.7)	(3,320.5)	(1,293.2)
FII-Equity	579.6	(371.7)	(96.8)	(607.3)	7,476.9	150.6

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

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For further details about this publication, please contact:

**Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)