

MACRO DAILY

27 August 2021

Macro developments

- In an effort to improve digital penetration in the economy, RBI has extended the scheme for encouraging deployment of Point of Sale (PoS) infrastructure to street vendors covered under the PM SVANidhi programme in Tier-1 and Tier-2 centres. Previously, it was available for Tier 3-Tier 6 centres only. The Payments Infrastructure Development Fund (PIDF) was created with a corpus of Rs 3.45bn for digital payments facilitating the beneficiaries under PM SVANidhi.
- US GDP growth was revised up to 6.6% in Q2CY21 from an initial estimate of 6.5% and 6.3% in Q1CY21. This was led by upward revisions to non-residential fixed investment and exports. However, private inventory investment and government spending were revised downwards. Separately, US jobless claims for the week ended 21 Aug 2021 rose for the first time in 5 weeks to 353k (est. 350k) from 349k. Despite this, claims still remain at a pre-pandemic low. In fact, the 4-week moving average of claims fell to 367k, a new pandemic low.
- China's industrial profits moderated to 16.4% in Jul'21, from 20% in Jun'21. While this was partly owing to base effect, elevated commodity prices and supply chain bottlenecks also contributed to slowing profit growth. Shortage of computer chips has led to 4th consecutive decline in automobile production. However, profits of pharmaceuticals, mining and raw material manufacturing were robust. The unevenness in recovery has raised hopes for government stimulus in near-term.

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Markets

- Bonds:** Germany's 10Y yield rose by 2bps (-0.41%) as ECB Chief Economist downplayed the economic impact from Delta variant. US 10Y yield rose by 1bps (1.35%) amidst hawkish comments from St. Louis Fed President. UK and Japan's 10Y yield closed flat. Crude prices fell by 1.6% (US\$ 71/bbl) as virus concerns persist. India's 10Y yield rose by 1bps (6.25%) as investors were disappointed by auction results.
- Currency:** Except INR (flat), other global currencies closed lower. After falling for 4-straight sessions, DXY rose by 0.3% awaiting comments from Fed Chair. EUR depreciated by 0.2% as Germany's GfK consumer sentiment index fell. INR is trading higher today while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Sensex, other global indices ended lower ahead of Fed Chair's remarks at the Jackson Hole symposium. Drop in consumer sentiment index in Germany also impacted investor sentiments. Sensex ended flat. Gains in power, oil and gas sectors were countered by losses in metal and tech stocks. 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
10Y yields (Δ bps)						
US	1.35	1	11	6	(26)	60
UK	0.60	0	6	3	(21)	26
Japan	0.03	0	1	1	(6)	(2)
Germany	(0.41)	2	8	1	(24)	0
India ^{AA}	6.25	1	2	8	26	10
China	2.89	3	5	1	(19)	(17)
2Y yields (Δ bps)						
US	0.24	0	2	5	10	8
UK	0.14	0	3	6	9	16
Japan	(0.12)	0	1	0	0	(1)
Germany	(0.74)	0	1	0	(8)	(8)
India ^A	4.13	0	(2)	(10)	(16)	(35)
China	2.27	2	35	34	(5)	(24)
Currencies (Δ %)						
EUR	1.1752	(0.2)	0.7	(0.4)	(3.6)	(0.6)
GBP	1.3700	(0.5)	0.4	(0.9)	(3.6)	3.8
JPY	110.09	(0.1)	(0.3)	0.3	(0.3)	(3.3)
AUD	0.7237	(0.5)	1.3	(2.0)	(6.6)	(0.3)
INR	74.22	0	0	0.3	(2.3)	(0.6)
CNY	6.4818	(0.1)	0.2	0	(1.5)	6.0
Equity & Other indices (Δ %)						
Dow	35,213	(0.5)	0.9	0.2	2.2	23.6
FTSE	7,125	(0.4)	0.9	1.4	1.5	18.7
DAX	15,794	(0.4)	0.2	1.1	2.5	20.6
NIKKEI	27,742	0.1	1.7	(0.3)	(2.8)	19.5
Shanghai Comp	3,502	(1.1)	1.0	1.0	(3.0)	4.5
SENSEX	55,949	0	0.6	5.9	9.5	43.0
Brent (US\$/bbl)	71.07	(1.6)	7.0	(4.6)	2.3	57.6
Gold (US\$/oz)	1,792	0.1	0.7	(0.3)	(5.5)	(7.1)
CRB Index	560.3	0	(0.4)	(0.3)	2.3	43.3
Rogers Agri Index	1,087.9	0.1	1.1	2.2	3.0	47.3
LIBOR (3M)*	0.12	0	(1)	(1)	(1)	(12)
INR 5Y Swap*	5.77	1	(5)	(8)	11	12
India FII data (US\$ mn)						
	25 Aug	24 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	1,452.7	16.3	1,450.3	1,548.5	(1,704.7)	322.6
FII-Equity	(119.4)	(4.1)	(305.9)	782.2	7,160.4	(166.0)

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

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