

MACRO DAILY

27 July 2021

Macro developments

- Government of India has reduced the basic customs duty on import of lentils (except US) to 0% from 10%. Agriculture infrastructure development cess has been halved to 10%. Pulses with a weight of 2.4% in the CPI basket posted double digit inflation during Oct'19-Mar'21. While it eased in Apr'21, it quickly reverted back to its upward trajectory with recent Jun'21 print at 10% on YoY basis. The reduction in duty is likely to keep price in check.
- South Korea's GDP growth rose to a more than 10-year high of 5.9% in Q2CY21 (est. 6%) from an increase of 1.9% in Q1 on a YoY basis led by a pickup in consumption demand (4.1% versus 1.5% in Q1). Exports of goods and services also picked up sharply to 22.4% in Q2 from 5.1% in Q1. Investment demand however decelerated. Growth is however likely to slow down in Q3 amidst the worst outbreak of Covid-19 and strict social distancing measures.
- China's industrial profits eased in Jun'21 to 20% (YoY) following 36.4% rise in May'21, owing to base effect. Within this, private firms and small businesses have seen a smaller rebound compared with SOEs. In H1CYTD21, profits of SOEs rose by 110% versus headline print of 66.9%. The uneven recovery is attributed to rise in international commodity prices and supply chain bottlenecks. Over a 2 year horizon (versus H1CY19), profits in H1CY21 rose by 45.5%.

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Markets

- Bonds:** Global yields closed mixed as US issued travel warnings to Spain and Portugal amidst rising Covid-19 cases. US 10Y yield rose a tad by 1bps (1.29%) ahead of the Fed policy outcome. Crude prices rose by 0.5% (US\$ 75/bbl) on expectations of demand recovery, with vaccination gaining ground. India's 10Y yield closed stable at (6.23%).
- Currency:** Except INR and CNY (flat), other global currencies closed higher. DXY fell by 0.4% as US new home sales eased in Jun'21. EUR rose by 0.3% even as Germany's Ifo business sentiment index fell in Jul'21. JPY also rose by 0.1% despite a drop in Japan's services and manufacturing PMI. INR is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors continued to monitor corporate earnings. Fed meeting also remained in focus. Nikkei gained the most by 1%. However, Shanghai Comp declined by 2.3% due to regulatory concerns impacting technology stocks. Sensex ended in red led by subdued global cues. 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	1.29	1	10	(23)	(28)	67
UK	0.57	(1)	1	(21)	(19)	46
Japan	0.01	(1)	0	(4)	(7)	(1)
Germany	(0.42)	0	(3)	(26)	(17)	7
India ^{AA}	6.23	0	4	20	19	37
China	2.88	(3)	(7)	(22)	(32)	(2)
2Y yields (Δ bps)						
US	0.19	0	(2)	(7)	3	4
UK	0.08	0	0	0	3	18
Japan	(0.12)	1	1	(1)	1	(1)
Germany	(0.73)	(1)	(4)	(9)	(4)	(7)
India ^A	4.23	(2)	(7)	(54)	(28)	0
China	1.93	(2)	(6)	(45)	(47)	(31)
Currencies (Δ %)						
EUR	1.1803	0.3	0	(1.1)	(2.3)	0.4
GBP	1.3818	0.5	1.0	(0.4)	(0.6)	7.3
JPY	110.39	0.1	(0.8)	0.3	(2.1)	(4.8)
AUD	0.7385	0.3	0.6	(2.7)	(5.3)	3.3
INR	74.42	0	0.6	(0.3)	0.4	0.6
CNY	6.4829	0	0.1	(0.4)	0	7.3
Equity & Other indices (Δ %)						
Dow	35,144	0.2	3.5	2.1	3.4	32.2
FTSE	7,025	0	2.6	(1.6)	0.9	15.1
DAX	15,619	(0.3)	3.2	0.1	2.1	21.7
NIKKEI	27,833	1.0	0.7	(4.2)	(4.4)	22.5
Shanghai Comp	3,467	(2.3)	(2.0)	(3.9)	0.8	8.2
SENSEX	52,852	(0.2)	0.6	(0.1)	9.2	39.3
Brent (US\$/bbl)	74.5	0.5	8.6	(2.2)	13.5	71.6
Gold (US\$/oz)	1,798	(0.3)	(0.8)	0.9	0.9	(7.4)
CRB Index	561.8	0.4	(0.8)	1.6	6.7	49.1
Rogers Agri Index	1,064.1	0.5	1.7	4.6	(0.2)	53.1
LIBOR (3M)*	0.13	0	(1)	(2)	(6)	(14)
INR 5Y Swap*	5.85	2	2	16	31	64
India FII data (US\$ mn)						
	23 Jul	22 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	32.2	(116.7)	(178.2)	(121.5)	(3,288.2)	(1,261.0)
FII-Equity	(28.9)	579.6	(125.7)	(636.2)	7,448.0	121.7

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

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