

## MACRO DAILY

28 July 2021

### Macro developments

- IMF has slashed India's growth forecast for FY22 to 9.5% from 12.5% earlier. The downgrade is due to the severe second-wave of Covid-19 and the resulting dent in confidence. For FY23, growth is expected at 8.5% (+1.6%). Global growth forecast for CY21 has been kept unchanged at 6%, as upward revisions in advanced economies offset the downward revisions in countries which experienced fresh waves of infections.
- US durable goods orders rose by 0.8% in Jun'21 (MoM) from a 3.2% rise in May'21. The slowdown was most visible in transportation equipment (2.1% versus 10%), led by motor vehicle and parts (0.3% drop versus 2% increase). Core orders registered steady growth of 0.5%. Separately, US Conference Board consumer confidence index rose to 129.1 in Jul'21 from 128.9 in Jun'21. Expectations of both future income and jobs improved.
- Australia's CPI rose at its fastest pace in over 13 years to 3.8% in Q2CY21 (1.1% in Q1CY21) on a YoY basis, largely owing to base effect. The spike in prices were led by transport (10.7% in Q2 from 0.4% in Q1) and health (4.8% in Q2 from 3% in Q1) on the back of strong demand and supply side bottlenecks. Within transport, automotive fuel (+6.5%) was the biggest contributor due to recovery in global oil prices.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 4bps (1.25%) as investors await cues from the upcoming Fed policy decision. China's 10Y yield rose by 3bps (2.91%). Crude prices rose by 0.2% (US\$ 75/bbl) due to drawdown of US inventories. India's 10Y yield closed flat at 6.23%. It is trading lower at 6.21% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.3% even as US consumer confidence improved in Jul'21. EUR (0.3%) and GBP (0.5%) rose as IMF upgraded growth forecast for Euro Area and UK. INR depreciated by 0.1% on the back of higher oil prices. However it is trading higher today in line with other Asian currencies.
- Equity:** Barring Nikkei, other global indices ended lower as investors turned their focus towards corporate earnings and Fed's policy meet. Shanghai Comp stumbled by 2.5% as regulatory concerns continued to rattle the Asian indices. Sensex too ended in red led by weaker global cues and deep losses in pharmaceutical stocks. It is trading further lower today in line with other Asian stocks.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.25	(4)	(4)	(23)	(28)	67
UK	0.56	(1)	(4)	(21)	(19)	46
Japan	0.01	0	(1)	(4)	(7)	(1)
Germany	(0.44)	(2)	(4)	(26)	(17)	7
India <sup>AA</sup>	6.23	0	4	14	13	31
China	2.91	3	(1)	(22)	(32)	(2)
<b>2Y yields (Δ bps)</b>						
US	0.20	(2)	0	(7)	3	4
UK	0.08	0	(2)	0	3	18
Japan	(0.13)	0	0	(1)	1	(1)
Germany	(0.74)	(2)	(3)	(9)	(4)	(7)
India <sup>A</sup>	4.23	0	(3)	(54)	(28)	0
China	1.93	(2)	(6)	(45)	(47)	(31)
<b>Currencies (Δ %)</b>						
EUR	1.1833	0.3	0.4	(1.1)	(2.3)	0.4
GBP	1.3893	0.5	1.9	(0.4)	(0.6)	7.3
JPY	109.76	0.6	0.1	0.3	(2.1)	(4.8)
AUD	0.7362	(0.3)	0.4	(2.7)	(5.3)	3.3
INR	74.47	(0.1)	0.2	(0.3)	0.4	0.6
CNY	6.5104	(0.4)	(0.4)	(0.4)	0	7.3
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,059	(0.2)	1.6	2.1	3.4	32.2
FTSE	6,996	(0.4)	1.7	(1.6)	0.9	15.1
DAX	15,519	(0.6)	2.0	0.1	2.1	21.7
NIKKEI	27,970	0.5	2.1	(4.2)	(4.4)	22.5
Shanghai Comp	3,381	(2.5)	(4.4)	(3.9)	0.8	8.2
SENSEX	52,579	(0.5)	0.7	(0.1)	9.2	39.3
Brent (US\$/bbl)	74.64	0.2	7.6	(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	6.4	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
<b>India FII data (US\$ mn)</b>						
	<b>26 Jul</b>	<b>23 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	7.8	32.2	7.8	(113.7)	(3,280.5)	(1,253.2)
FII-Equity	(298.1)	(28.9)	(298.1)	(934.3)	7,149.9	(176.5)

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

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