

MACRO DAILY

28 June 2021

Macro developments

- As per news reports, 40 large CPSEs (with annual capex budget more than Rs 5bn) have achieved 10% (Rs 630bn) of their capex spending target for FY22 (Rs 6.3tn) in Apr-May'21. This is higher compared with 2% target achieved during the same time last year. So far the biggest spenders have been Railways (13% of FY22 target), NHAI (12%), ONGC (12%), NTPC (10%) and IOCL (7%). Ministry of Finance has reportedly asked CPSEs to meet their budgeted targets by Q3FY22.
- US University of Michigan consumer sentiment index rose to 85.5 in Jun'21 (est.: 86.8) from 82.9 in May'21. This is the second highest level recorded since the onset of pandemic. Elsewhere in Germany too, Gfk consumer confidence is expected to improve to (-) 0.3 in Jul'21 (est.: -3.3) from (-) 6.9 in Jun'21, highest level since Aug'20. In UK as well, Gfk consumer confidence index was at its post Covid-19 high of (-) 9 in Jun'21, unchanged from May'21. All the consumers were cautious about higher price increase in the coming months.
- Industrial production in Singapore bounced back sharply and rose by 30% in May'21 on a YoY basis (est. 19%), from 2.3% in Apr'21 due to a low base (-7.9% in May'20). Output in the electronics sector expanded sharply by 23.2% in May'21 (7.2% in Apr'21) led by semiconductors (25.5% versus 6.1%). On a MoM basis, industrial production rose by 7.2% in May'21 from a decline of 0.4% in Apr'21.

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Markets

- Bonds:** Except Japan (lower) and China (stable), global yields closed higher as consumer sentiment improved globally. Despite softer than expected inflation data (core PCE-inflation gauge of Fed), US 10Y yield rose by 3bps (1.52%). Crude prices rose by 0.8% (US\$ 76/bbl) amidst expectation of stronger demand. India's 10Y yield rose by 2bps (6.03%) due to devolvement on PDs in the weekly auction.
- Currency:** Global currencies closed mixed. DXY closed flat as US inflation continued to remain in focus. GBP fell by 0.3% amidst rising Covid-19 cases. EUR closed flat even as Germany's consumer confidence improved. INR closed flat. It is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended higher as investors evaluated US core PCE print and BoE's decision to maintain its stimulus program. Shanghai Comp rose the most by 1.1%, followed by Dow and Nikkei both rising by 0.7% each. Sensex too rose by 0.4%, led by gains in metal 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
10Y yields (Δ bps)						
US	1.52	3	9	(3)	(15)	84
UK	0.78	4	3	(1)	2	62
Japan	0.05	(1)	(1)	(3)	(4)	3
Germany	(0.16)	3	5	1	19	31
India	6.03	2	2	6	(9)	14
China	3.10	0	(5)	2	(10)	23
2Y yields (Δ bps)						
US	0.27	0	1	12	13	8
UK	0.08	2	(5)	7	2	16
Japan	(0.11)	0	1	1	2	1
Germany	(0.65)	0	2	2	7	4
India	4.55	3	13	26	(6)	24
China	2.38	(2)	(9)	6	(19)	20
Currencies (Δ %)						
EUR	1.1935	0	0.6	(2.6)	1.2	6.4
GBP	1.3879	(0.3)	0.5	(1.9)	0.7	11.8
JPY	110.75	0.1	(0.5)	(1.8)	(1.0)	(3.3)
AUD	0.7590	0.1	1.5	(2.1)	(0.6)	10.2
INR	74.20	0	(0.4)	(2.0)	(2.3)	1.9
CNY	6.4562	0.2	0	(0.7)	1.3	8.8
Equity & Other indices (Δ %)						
Dow	34,434	0.7	3.4	0.4	4.1	33.7
FTSE	7,136	0.4	1.7	1.5	5.9	16.1
DAX	15,608	0.1	1.0	0.9	5.8	28.2
NIKKEI	29,066	0.7	0.4	1.8	(0.4)	30.6
Shanghai Comp	3,608	1.1	2.3	0.7	5.5	21.1
SENSEX	52,925	0.4	1.1	4.5	8.0	51.9
Brent (US\$/bbl)	76.18	0.8	3.6	11.0	18.0	85.6
Gold (US\$/oz)	1,781	0.4	1.0	(6.2)	2.8	1.0
CRB Index	552.8	(0.2)	(0.3)	2.9	8.4	52.7
Rogers Agri Index	1,017.3	(0.9)	(1.0)	(1.9)	7.5	52.8
LIBOR (3M)*	0.15	0	1	1	(5)	(16)
INR 5Y Swap*	5.69	1	(1)	2	(15)	44
India FII data (US\$ mn)						
	24 Jun	23 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(49.0)	26.6	(12.7)	(380.7)	(2,961.3)	(934.0)
FII-Equity	(105.1)	(33.3)	(358.9)	1,388.3	7,974.4	648.1

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps

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