

## MACRO DAILY

29 July 2021

### Macro developments

- Cabinet has cleared the Deposit Insurance and Credit Guarantee Corporation (DICGC) Bill and Limited Liability Partnership (LLP) Amendment Bill. In an effort to protect the interest of depositors, it will cover banks placed under moratorium and will enable depositors to withdraw up to Rs 0.5mn in 90 days. This measure will cover 98.3% of all deposit accounts and 50.9% in value terms, in comparison to global standard of 80% and 20-30% respectively.
- Germany's Gfk consumer confidence index rose to (-) 0.3 points in Jul'21 from (-) 6.9 points in Jun'21 and is expected to remain at (-) 0.3 points in Aug'21 as well. Improvement in Jul'21 was led by propensity to buy index (14.8 from 13.4). On the other hand, as pace of vaccination slowed significantly and inflation concerns rose again, income expectations (54.6 versus 58.4) and economic expectations (29 versus 34.1) fell. Inflation remains a concern due to higher energy prices, introduction of CO<sub>2</sub> pricing and rollback of VAT cuts.
- US Fed has left the target range for federal funds rate at 0-0.25% and informed that the economy is making progress towards its goals of full employment and 2% average inflation. It reiterated that current pickup in inflation is transitory and US is still away from making substantial progress towards full employment goal. Going forward, with increase in vaccination rates, each wave of Covid-19 is expected to have less economic impact on the economy.

**Aditi Gupta | Sameer Narang**
[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (1.23%) as Fed did not specify any timeline for tapering its current stimulus. UK 10Y yield rose by 2bps (0.58%) as government waived quarantine rules for fully vaccinated arrivals from US and Europe. Crude prices rose by 0.3% (US\$ 75/bbl). India's 10Y yield closed flat at 6.23%.
- Currency:** Except JPY, other global currencies closed higher against the dollar. DXY fell by 0.1% as the Fed refrained from giving hints about the timeline of policy tightening. GBP gained by 0.2% as Covid-19 cases in UK showed signs of deceleration. INR appreciated by 0.1%. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring FTSE and Dax, other global indices ended lower as investors monitored Fed's policy meet and corporate earnings. Nikkei (1.4%) dropped the most followed by Shanghai Comp (0.6%) and Dow (0.4%). Sensex (0.3%) too ended in red led by sharp losses in auto and banking stocks. 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
<b>10Y yields (Δ bps)</b>						
US	1.23	(1)	(6)	(29)	(38)	66
UK	0.58	2	(3)	(20)	(22)	46
Japan	0.02	0	0	(3)	(8)	0
Germany	(0.45)	(1)	(6)	(30)	(22)	5
India <sup>AA</sup>	6.23	0	4	20	18	40
China	2.93	1	0	(17)	(27)	(4)
<b>2Y yields (Δ bps)</b>						
US	0.20	0	(1)	(6)	4	7
UK	0.09	1	(2)	0	3	16
Japan	(0.13)	0	0	(1)	1	(1)
Germany	(0.76)	(1)	(4)	(11)	(7)	(8)
India <sup>A</sup>	4.24	1	(2)	(53)	(23)	2
China	1.98	5	2	(40)	(42)	(27)
<b>Currencies (Δ %)</b>						
EUR	1.1845	0.2	0.4	(0.8)	(2.3)	0.4
GBP	1.3902	0.2	1.4	0.2	(0.2)	7.0
JPY	109.91	(0.1)	0.3	0.8	(1.2)	(4.8)
AUD	0.7376	0.2	0.2	(2.8)	(5.3)	2.6
INR	74.38	0.1	0.3	(0.2)	(0.0)	0.6
CNY	6.4909	0.3	(0.4)	(0.5)	(0.2)	7.3
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,931	(0.4)	0.4	1.4	3.3	31.6
FTSE	7,017	0.3	0.3	(1.7)	0.8	14.4
DAX	15,570	0.3	1.0	(0.2)	1.8	21.4
NIKKEI	27,582	(1.4)	0.1	(5.1)	(5.1)	23.1
Shanghai Comp	3,362	(0.6)	(5.6)	(6.8)	(2.8)	2.0
SENSEX	52,444	(0.3)	0.5	(0.9)	5.4	37.8
Brent (US\$/bbl)	74.74	0.3	3.5	(1.9)	11.1	70.8
Gold (US\$/oz)	1,807	0.4	0.2	1.4	1.4	(8.3)
CRB Index	562.5	0.1	0.5	1.8	5.4	49.3
Rogers Agri Index	1,068.1	0.6	0.6	5.0	0.8	54.0
LIBOR (3M)*	0.13	0	(1)	(2)	(6)	(13)
INR 5Y Swap*	5.82	1	(1)	13	26	61
<b>India FII data (US\$ mn)</b>						
	<b>27 Jul</b>	<b>26 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(34.6)	7.8	(26.8)	(148.3)	(3,315.1)	(1,287.8)
FII-Equity	(75.0)	(298.1)	(373.2)	(1,009.3)	7,074.8	(251.5)

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)