

MACRO DAILY

30 August 2021

Macro developments

- FDI inflows into India rose to US\$ 22.5bn in Q1FY22 compared with US\$ 11.8bn in Q1FY21. FDI equity inflows rose sharply by 168% to US\$ 17.6bn in Q1 on a YoY basis. Sector wise, automobile industry (27%) received the highest share of total FDI inflows in this period, followed by computer hardware and software at 17% and service sector at 11%. State-wise, majority of the inflows were concentrated in Karnataka (48%), Maharashtra (23%) and Delhi (11%).
- Retail sales in Japan rose by 2.4% in Jul'21 (est.: 2.1%) following 0.1% increase in Jun'21. The strong demand was led by cars, clothing, general merchandise items and food. Sales of petrol was up on account of higher oil prices. Even on MoM basis, retail sales were up by 1.1%, also supported by Tokyo Olympics. Separately, retail sales in Australia fell by 2.7% (MoM) in Jul'21 versus 1.8% decline in Jun'21. Lockdown restrictions led to sales of cafes and restaurant fall by 12.3%, and that of clothing and footwear fall by 15.4%.
- Consumer sentiment in the US fell to a decadal low in Aug'21. The University of Michigan index edged down to 70.3 from 81.2 in Jul'21. This was led by higher inflation expectation and concerns over Delta variant. Respondents said that they expect inflation to rise 4.6% over the next year and 2.9% over the next five years. In a separate print, consumer confidence index in France also moderated to 99 from 100 in Jul'21.

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Markets

- Bonds:** Except Japan (stable), global yields closed lower. US 10Y yield fell the most by 4bps (1.31%) as Fed Chair sounded dovish and investors await Sep'21 policy for guidance on timing of tapering by Fed. Crude prices rose by 2.3% (US\$ 73/bbl) over concerns surrounding supply disruption from Hurricane Ida. India's 10Y yield closed stable at 6.26%. It is trading at 6.25% today.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.4% as Fed Chair pushed back the possibility of rate hikes. AUD rose the most by 1%. INR also appreciated by 0.7% following global cues, even as oil prices rose by 2.3%. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring Nikkei, other global indices ended higher as Fed Chair Powell indicated while there will no rate hikes anytime soon, tapering might begin contingent upon economic conditions. Sensex rose by 0.3%, led by gains in capital goods, power and metal sectors. It is trading further 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	1.31	(4)	5	4	(29)	59
UK	0.58	(2)	5	1	(22)	27
Japan	0.03	0	2	1	(6)	(3)
Germany	(0.42)	(2)	7	3	(24)	(1)
India ^{AA}	6.26	0	2	6	25	11
China	2.87	(2)	3	(2)	(22)	(20)
2Y yields (Δ bps)						
US	0.22	(3)	(1)	1	7	9
UK	0.12	(3)	2	4	6	18
Japan	(0.11)	1	1	2	1	0
Germany	(0.74)	0	1	2	(7)	(7)
India ^A	4.13	0	1	(11)	(14)	(35)
China	2.27	0	36	28	(9)	(25)
Currencies (Δ %)						
EUR	1.1795	0.4	0.8	(0.8)	(3.3)	(0.9)
GBP	1.3764	0.5	1.0	(1.4)	(3.0)	3.1
JPY	109.84	0.2	(0.1)	(0.3)	0	(4.2)
AUD	0.7312	1.0	2.5	(1.1)	(5.2)	(0.7)
INR	73.69	0.7	1.0	0.8	(1.7)	(0.4)
CNY	6.4720	0.2	0.5	(0.2)	(1.6)	5.7
Equity & Other indices (Δ %)						
Dow	35,456	0.7	1.0	1.1	2.7	23.7
FTSE	7,148	0.3	0.8	1.0	1.8	19.9
DAX	15,852	0.4	0.3	1.4	2.1	21.6
NIKKEI	27,641	(0.4)	2.3	(0.5)	(5.2)	20.8
Shanghai Comp	3,522	0.6	2.8	3.2	(2.2)	3.5
SENSEX	56,125	0.3	1.4	6.6	9.1	42.2
Brent (US\$/bbl)	72.70	2.3	11.5	(4.4)	4.4	61.4
Gold (US\$/oz)	1,818	1.4	2.0	(0.6)	(4.5)	(7.5)
CRB Index	561.2	0.1	0.2	(0.5)	2.3	42.8
Rogers Agri Index	1,089.9	0.2	2.3	1.4	3.4	47.7
LIBOR (3M)*	0.12	0	(1)	(1)	(1)	(12)
INR 5Y Swap*	5.73	(4)	(10)	(6)	1	1
India FII data (US\$ mn)						
	26 Aug	25 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(8.7)	1,452.7	1,441.5	1,539.8	(1,713.4)	313.8
FII-Equity	(304.3)	(4.1)	(610.2)	477.9	6,856.1	(470.3)

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

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