

MACRO DAILY

30 July 2021

Macro developments

- Union Cabinet has approved amendments to the General Insurance Business (Nationalisation) Act (GIBNA). It is likely to be tabled in the Parliament in the monsoon session. As per reports, LIC's IPO may be launched early next year and 10% stake sale will fetch Rs 1-1.5tn to the exchequer. Government is also expected to divest stake (through OFS) in National Fertilizers Ltd., Mishra Dhatu Nigam Ltd. And Rashtriya Chemicals and Fertilizers Ltd., in Q3FY22.
- RBI's newly constructed digital payment index has risen sharply by 30.2% in FY21 signaling the 'rapid adoption and deepening of digital payments' in India. The new index is based on 5 parameters including: Payment enablers (weight 25%), payment infrastructure-demand-side (10%), payment infrastructure-supply side (15%), payment performance (45%) and consumer centricity (5%). The base year has been taken as Mar'18 and it is expected to be published on a semi-annual basis with a lag of 4-months.
- US GDP rose by 6.5% in Q2CY21 (est. 8.5%) versus 6.3% in Q1. Gross private domestic investment fell by 3.5% from 2.3% decline in Q1. On the other hand, personal consumption expenditure rose by 11.8% from 11.4% in Q1, led by services (12% versus 3.9%). Exports increased by 6% from 2.9% decline in Q1. Imports rose at a softer pace of 7.8% from 9.3% in Q1. In a separate print, US jobless claims fell by 24K to 400K for the week ending 24 Jul 2021.

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Markets

- Bonds:** Except US (higher) and China (lower), global yields closed stable. US 10Y yield rose by 4ps (1.27%) supported by better jobless claims data. Crude prices rose by 1.8% (US\$ 76/bbl) as sharp drawdown in US inventories and faster pace of vaccination led to improved demand outlook. India's 10Y yield closed stable at 6.23%. New benchmark security ended a tad higher by 1bps (6.2%) ahead of the weekly auction.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.5% as US GDP rose less than expected in Q2CY21. EUR and GBP both rose by 0.4%. CNY rose by 0.5% as China's stock market stabilised. INR also rose by 0.1% supported by global cues even as oil prices rose. It is trading flat today, while other Asian currencies are trading lower.
- Equity:** Global indices ended higher as investors monitored corporate earnings and Fed's dovish comments. Shanghai Comp rebounded sharply from the early week sell-off and surged by 1.5%. This was followed by FTSE (0.9%) and Nikkei (0.7%). Sensex (0.4%) too ended in green led by gains in metals and real estate stocks. It is trading higher today, while other Asian stocks are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.27	4	(1)	(21)	(37)	72
UK	0.57	0	1	(15)	(27)	49
Japan	0.02	0	0	(4)	(8)	0
Germany	(0.45)	0	(2)	(26)	(26)	9
India ^{AA}	6.23	0	3	17	17	41
China	2.90	(3)	(3)	(21)	(29)	(4)
2Y yields (Δ bps)						
US	0.20	0	0	(5)	4	9
UK	0.08	(1)	1	2	0	16
Japan	(0.13)	0	0	(3)	0	0
Germany	(0.76)	0	(4)	(11)	(8)	(5)
India ^A	4.25	0	(2)	(52)	(24)	4
China	1.99	1	3	(42)	(41)	(26)
Currencies (Δ %)						
EUR	1.1887	0.4	1.0	(0.3)	(1.9)	0.3
GBP	1.3959	0.4	1.4	0.5	0.1	6.6
JPY	109.48	0.4	0.6	1.0	(0.5)	(4.5)
AUD	0.7396	0.3	0.2	(2.3)	(4.8)	2.8
INR	74.28	0.1	0.2	(0.1)	(0.3)	0.8
CNY	6.4564	0.5	0.2	0	0.2	7.9
Equity & Other indices (Δ %)						
Dow	35,085	0.4	0.8	2.3	3.0	33.3
FTSE	7,078	0.9	1.6	0.1	1.7	18.2
DAX	15,640	0.5	0.8	0.6	3.2	26.3
NIKKEI	27,782	0.7	0.9	(4.4)	(4.4)	24.4
Shanghai Comp	3,412	1.5	(4.6)	(5.4)	(1.8)	3.8
SENSEX	52,653	0.4	(0.3)	(0.2)	5.8	39.5
Brent (US\$/bbl)	76.05	1.8	3.1	1.8	10.9	77.1
Gold (US\$/oz)	1,828	1.2	1.2	2.8	3.2	(6.6)
CRB Index	563.8	0.2	0.6	1.5	5.9	49.2
Rogers Agri Index	1,075.4	0.7	1.3	3.7	2.2	54.5
LIBOR (3M)*	0.13	0	0	(2)	(5)	(12)
INR 5Y Swap*	5.79	(3)	(6)	7	18	61
India FII data (US\$ mn)						
	28 Jul	27 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	42.4	(34.6)	15.5	(105.9)	(3,272.7)	(1,245.5)
FII-Equity	(328.2)	(75.0)	(701.4)	(1,337.5)	6,746.6	(579.7)

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

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