

MACRO DAILY

30 June 2021

Macro developments

- Government has cut basic custom duty on crude palm oil to 10% from 15% earlier and on refined palm oil to 37.5% from 45% earlier w.e.f 30 Jun 2021 till 30 Sep 2021. Including cess, customs duty on crude palm oil stands at 30.25% (from 35.75%) and for refined palm oil at 41.25% (from 49.5%). Earlier this month, government had also reduced tariff value for import of other edible oils. This is likely to soften domestic prices of edible oils which have been on an upswing lately.
- China's official manufacturing PMI eased to 50.9 in Jun'21 (est.: 50.7) from 51 in May'21. Production index slowed to 51.9 versus 52.7 in May'21, despite increase in new orders (51.5 versus 51.3), led by supply chain bottlenecks. Within new orders, growth was led by domestic orders while export orders fell further (48.1 versus 48.3). Non-manufacturing PMI also slipped to 53.5 in Jun'21 from 55.2, led by services sector. Construction activity remained robust.
- Japan's industrial production fell by 5.9% in May'21 (est.: 2.4% drop) following 2.9% rise in Apr'21 (MoM basis). This was driven by decline in production of motor vehicles, machinery, electric machinery and equipment for information and communications. Shipment of iron, steel and non-ferrous metal products also fell. The Ministry estimates production to bounce back in Jun'21 and increase by 9% (5% estimated in May'21) before falling by 1.4% in Jul'21.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (1.47%) ahead of jobs data. Germany's 10Y yield rose by 2bps (-0.17%) as Euro Area economic sentiment index remained well above pre-pandemic level. Crude prices rose by 0.1% (US\$ 75/bbl) on expectation of demand recovery. India's 10Y yield fell by 2bps (6.04%).
- Currency:** Global currencies closed lower as rising Covid-19 cases in Asia dented risk sentiment. DXY (+0.2%) and JPY (+0.1%) rose on the back of safe-haven demand. AUD fell the most by 0.7%, followed by GBP which dipped by 0.3%. INR depreciated by 0.1% as oil prices remain elevated. It is trading further lower today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed amidst rising Covid-19 cases. US payroll data is also awaited. European indices ended higher as Euro Area economic sentiment climbed to a 21-year high. Sensex (0.4%) too ended lower and was dragged down by metal and oil and gas 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
10Y yields (Δ bps)						
US	1.47	(1)	1	(12)	(23)	81
UK	0.74	2	(4)	(6)	(9)	57
Japan	0.06	0	1	(2)	(3)	3
Germany	(0.17)	2	(1)	1	12	28
India	6.04	(2)	1	3	(11)	15
China	3.10	0	0	1	(11)	25
2Y yields (Δ bps)						
US	0.25	0	2	11	10	10
UK	0.06	1	(5)	0	(1)	15
Japan	(0.11)	(1)	0	1	3	2
Germany	(0.65)	0	(1)	1	4	4
India	4.59	4	16	32	(7)	38
China	2.41	0	(6)	5	(15)	30
Currencies (Δ %)						
EUR	1.1897	(0.2)	(0.4)	(2.4)	1.5	5.9
GBP	1.3836	(0.3)	(0.8)	(2.5)	0.7	11.6
JPY	110.53	0.1	0.1	(0.6)	(0.2)	(2.4)
AUD	0.7512	(0.7)	(0.6)	(2.6)	(1.1)	8.8
INR	74.23	(0.1)	0.2	(2.5)	(1.2)	1.7
CNY	6.4637	(0.1)	0.3	(1.5)	1.6	8.5
Equity & Other indices (Δ %)						
Dow	34,292	0	1.0	(0.7)	3.7	32.8
FTSE	7,088	0.2	0	0.9	4.7	14.9
DAX	15,691	0.9	0.3	1.1	4.5	27.5
NIKKEI	28,813	(0.8)	(0.2)	(1.2)	(2.1)	29.3
Shanghai Comp	3,573	(0.9)	0.4	(0.8)	3.4	19.7
SENSEX	52,550	(0.4)	(0.1)	2.2	4.8	50.5
Brent (US\$/bbl)	74.76	0.1	(0.1)	7.4	16.6	81.7
Gold (US\$/oz)	1,761	(1.0)	(1.0)	(7.5)	4.5	(1.1)
CRB Index	556.7	0.2	0.6	1.5	10.2	54.6
Rogers Agri Index	1,035.9	(0.1)	1.3	(1.7)	11.2	53.4
LIBOR (3M)*	0.15	0	1	2	(5)	(15)
INR 5Y Swap*	5.71	(1)	2	(1)	(9)	43
India FII data (US\$ mn)						
	28 Jun	25 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(5.5)	(131.0)	(5.5)	(517.2)	(3,097.8)	(1,070.5)
FII-Equity	(158.7)	(24.1)	(158.7)	1,205.4	7,791.5	465.2

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

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