

MACRO DAILY

31 August 2021

Macro developments

- India's exports from Special Economic Zones (SEZs) rose by 41.5% on a YoY basis to Rs 2.15tn in Q1FY22. This was led by higher exports of drugs and pharmaceuticals, engineering goods and gems and jewellery. In FY21, exports from SEZs fell to Rs 7.6tn from Rs 7.97tn in FY20 due to Covid-19. As on 30 Jun 2021, 267 out of a total of 427 SEZs approved by the government are operational. Further, about Rs 6.25tn has been invested in these SEZs which employ about 2.5mn people.
- Japan's industrial production fell by 1.5% in Jul'21 (est.: 2.5% drop) following a 6.5% increase in Jun'21, on MoM basis. This was on account of decline in production of autos, including passenger cars and small buses. In a separate print, jobless rate softened to 2.8% from 2.9% in Jun'21. However, with moderation in Covid-19 cases in the region (0.15mn weekly increase versus 0.16 mn earlier), macro prints are likely to show improvement in the near term.
- China's official manufacturing PMI moderated to 50.1 in Aug'21 from 50.4 in Jul'21. Services activity was impacted considerably as PMI print fell to 47.5 from 53.3 in Jul'21. Virus concerns coupled with supply chain bottlenecks were attributed for this decline. Both new orders and export orders softened pointing towards weakening demand conditions.

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Markets

- Bonds:** Global yields closed lower. US 10Y yield fell by 3bps (1.28%) as Fed Chair signalled that there is no rush to hike rates soon. Investors also await US jobs report. Crude prices rose by 1% (US\$ 73/bbl) as concerns over supply disruption persist. India's 10Y yield fell by 3bps (6.23%) tracking US 10Y yield. It is trading at 6.22% today.
- Currency:** Global currencies closed mixed. DXY closed flat awaiting US jobs report. EUR was stable despite a decline in Euro Area's economic sentiment index. INR appreciated by 0.6% to a 2-month high despite an increase in oil prices. It is trading further higher today while other Asian currencies are trading mixed.
- Equity:** Barring Dow, other global indices ended higher supported by dovish comments from Fed's Powell. DAX rose by 0.2% even as Euro Area's economic sentiment index fell from a record high in Aug'21. Sensex rose sharply by 1.4%, led by gains in metal, power and banking stocks. Asian stocks are trading lower today weighed down by China's weak PMI readings. However, Sensex is trading higher.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.28	(3)	3	6	(32)	57
UK	0.58	0	4	1	(22)	27
Japan	0.02	(1)	0	0	(7)	(3)
Germany	(0.44)	(2)	4	2	(25)	(4)
India ^{AA}	6.23	(3)	(2)	2	20	11
China	2.85	(2)	(2)	(0)	(22)	(17)
2Y yields (Δ bps)						
US	0.20	(1)	(2)	2	6	7
UK	0.12	0	0	6	6	18
Japan	(0.11)	0	2	1	2	0
Germany	(0.74)	0	1	3	(7)	(8)
India ^A	4.11	(2)	(3)	(12)	(16)	(36)
China	2.25	(2)	34	25	(11)	(25)
Currencies (Δ %)						
EUR	1.1797	0	0.4	(0.6)	(3.5)	(1.2)
GBP	1.3760	0	0.3	(1.0)	(3.2)	2.9
JPY	109.92	(0.1)	(0.2)	(0.2)	(0.3)	(3.8)
AUD	0.7296	(0.2)	1.2	(0.7)	(5.7)	(1.1)
INR	73.27	0.6	1.3	1.5	(0.9)	0.5
CNY	6.4667	0.1	0.2	(0.1)	(1.5)	5.6
Equity & Other indices (Δ %)						
Dow	35,400	(0.2)	0.2	1.3	2.5	24.5
FTSE	7,148	0.3	0.5	1.6	1.8	19.9
DAX	15,887	0.2	0.2	2.2	3.0	22.7
NIKKEI	27,789	0.5	1.1	1.9	(3.7)	20.1
Shanghai Comp	3,528	0.2	1.5	3.8	(2.4)	3.9
SENSEX	56,890	1.4	2.4	8.2	9.5	47.3
Brent (US\$/bbl)	73.41	1.0	6.8	(3.8)	5.9	62.1
Gold (US\$/oz)	1,810	(0.4)	0.3	(0.2)	(5.1)	(8.0)
CRB Index	560.4	(0.1)	0.1	(0.3)	2.2	41.9
Rogers Agri Index	1,080.7	(0.8)	0.8	2.0	2.5	46.2
LIBOR (3M)*	0.12	0	(1)	0	(1)	(12)
INR 5Y Swap*	5.72	(1)	(12)	(8)	(1)	8
India FII data (US\$ mn)						
	27 Aug	26 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	41.7	(8.7)	1,483.2	1,581.4	(1,671.8)	355.5
FII-Equity	(83.3)	(304.3)	(693.5)	394.6	6,772.8	(553.6)

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

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