

MACRO DAILY

03 August 2021

Macro developments

- India's manufacturing PMI rebounded sharply to a 3-month high of 55.3 in Jul'21 from 48.1 in Jun'21. The recovery was led by improved domestic demand conditions and easing of lockdown restrictions. The index moved back into expansion as international demand strengthened, resulting in higher new export orders. Further, manufacturing jobs have also shown an improvement after a gap of over 15 months.
- Retail sales in Germany rose more than estimated by 4.2% in Jun'21 (est.: 2%) from an upwardly revised growth of 4.6% in May'21, on MoM basis. Sales in the department stores picked up by 34% on MoM basis, while online retail sales registered a drop; reflecting shift in behavior pattern of consumers following lifting of restrictions. On YoY basis, retail sales picked up by 6.2% in Jun'21 from 1.8% decline in Jun'20.
- Manufacturing activity in major economies eased in Jul'21 In the US, ISM index moderated to 59.5 in Jul'21 from 60.6 in Jun'21. In Eurozone (62.8 from 63.4) and UK (60.4 from 63.9) as well, it edged down, led by easing pace of output growth and new orders. Employment conditions however remained robust in all the economies. Input cost on the other hand shot up to record levels due to supply-side bottlenecks.

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Markets

- Bonds:** Global yields closed lower as Delta variant continued to threaten global recovery. US and UK's 10Y yield fell the most by 4bps each. In the US, Covid-19 hospitalizations in Louisiana and Florida have surged to their highest points of the pandemic. Japan also expanded its state of emergency. Thus, crude prices fell by 4.5% (US\$ 73/bbl). India's benchmark 10Y yield fell by 1bps (6.2%), taking global cues. It is trading flat today.
- Currency:** Global currencies closed mixed against the dollar. DXY fell by 0.1% as US manufacturing index eased in Jul'21. GBP depreciated by 0.1% led by moderation in manufacturing PMI. INR appreciated by 0.1% as oil prices eased. It is trading higher today, in line with other Asian currencies.
- Equity:** Barring Dow, other global indices ended higher as investors continued to monitor corporate earnings. Amongst other indices, Shanghai Comp (2%) surged the most followed by Nikkei (1.8%). Sensex (0.7%) too ended in green led by gains in real estate stocks. It is trading higher today; while other Asian stocks are trading mixed.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.18	(4)	(11)	(25)	(42)	62
UK	0.52	(4)	(5)	(18)	(32)	42
Japan	0.02	(1)	1	(3)	(8)	(1)
Germany	(0.49)	(3)	(7)	(25)	(28)	4
India ^{AA}	6.20	(1)	3	13	20	36
China	2.83	(3)	(5)	(25)	(33)	(12)
2Y yields (Δ bps)						
US	0.17	(1)	(2)	(6)	1	6
UK	0.03	(3)	(5)	(2)	(5)	10
Japan	(0.12)	0	0	0	1	0
Germany	(0.78)	(1)	(4)	(10)	(9)	(8)
India ^A	4.18	(5)	(5)	(60)	(26)	(1)
China	2.00	1	5	(32)	(40)	(21)
Currencies (Δ %)						
EUR	1.1870	0	0.6	0	(1.6)	0.9
GBP	1.3883	(0.2)	0.5	0.4	(0.2)	6.2
JPY	109.31	0.4	1.0	1.6	(0.2)	(3.2)
AUD	0.7361	0.2	(0.3)	(2.2)	(5.2)	3.3
INR	74.35	0.1	0.1	0.5	(0.6)	0.9
CNY	6.4621	0	0.3	0.2	0.2	7.4
Equity & Other indices (Δ %)						
Dow	34,838	(0.3)	(0.9)	0.1	2.1	30.7
FTSE	7,082	0.7	0.8	(0.6)	1.6	17.4
DAX	15,569	0.2	(0.3)	(0.5)	2.2	23.1
NIKKEI	27,781	1.8	(0.2)	(3.5)	(3.6)	25.2
Shanghai Comp	3,464	2.0	(0.1)	(1.5)	0.5	2.9
SENSEX	52,951	0.7	0.2	0.9	8.7	43.3
Brent (US\$/bbl)	72.89	(4.5)	(2.2)	(4.3)	7.9	65.1
Gold (US\$/oz)	1,813	0	0.9	1.5	1.1	(8.3)
CRB Index	564.1	0.3	0.4	1.7	5.8	49.1
Rogers Agri Index	1,069.8	1.0	0.5	1.3	0.1	52.6
LIBOR (3M)*	0.12	(1)	(1)	(2)	(6)	(13)
INR 5Y Swap*	5.82	1	(4)	8	15	66
India FII data (US\$ mn)						
	30 Jul	29 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	15.6	4.0	35.1	(86.4)	(3,253.2)	(1,225.9)
FII-Equity	(343.9)	(24.6)	(1,069.8)	(1,706.0)	6,378.2	(948.2)

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

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