

## MACRO DAILY

03 September 2021

### Macro developments

- As per news reports, government is expected to augment the pace of capital expenditure which has remained muted in three of the five months through Jul'21. Against the budgeted Rs 5.54tn, Centre now needs to raise capex by 36% in the remaining months of this fiscal on an unfavourable base. Even various departments have been consulted to resolve any issue that can obstruct key projects. However, initiatives such as NIP, monetisation of assets and gaining traction of the economy are likely to provide the comfort.
- US jobless claims for the week ended 28 Aug 2021 fell by 14,000 to 340,000 a new pandemic low signalling steady rebound in the overall economic activity. Despite concerns over new variation of Covid-19, increasing pace of vaccinations have provide support to the labour market and as a result has boosted hiring due to higher demand. The 4-week moving average of claims, fell by 11,750 to 355,000.
- Japan services PMI index fell sharply in Aug'21 to 42.9 from 47.4 in Jul'21 (steepest decline since May'20). With continued Covid-19 restrictions in place and surge in daily infections, demand faltered, leading to sharp decline in new orders. Input prices rose for the 9th consecutive months, while selling prices reduced for the 1st time in 5 months to stimulate demand. However, 12 month ahead businesses sentiment index remained positive and employment rose, as business expect increased rate of vaccination to improve demand in future.

**Jahnvi | Sameer Narang**

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Except Japan and China (higher), global yields closed lower. US 10Y yield fell by 1bps (1.28%) ahead of US jobs data. Crude prices rose by 2% (US\$ 73/bbl) on hopes of improving demand as US inventories fell. India's 10Y yield fell by 3bps (6.17%) amidst reports of lower borrowing in H2FY22. It is trading flat today.
- Currency:** Barring INR, other global currencies closed higher against the dollar. DXY fell by 0.2% as investors await US jobs report (non-farm payroll). Better than expected initial jobless claims print has increased likelihood of earlier tapering of stimulus by US Fed. INR closed flat. It is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended higher as investor monitored strengthening of US labour market (jobless claims falling to new-pandemic low) and growing optimism over global economic recovery. Amongst other indices, Sensex (0.9%) surged the most led by consumer durable and technology 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
<b>10Y yields (Δ bps)</b>						
US	1.28	(1)	(7)	11	(34)	65
UK	0.68	(1)	8	16	(16)	44
Japan	0.04	1	1	2	(5)	0
Germany	(0.39)	(1)	2	10	(20)	10
India <sup>AA</sup>	6.17	(3)	(8)	(2)	18	27
China	2.83	1	(6)	1	(26)	(29)
<b>2Y yields (Δ bps)</b>						
US	0.21	0	(4)	3	5	8
UK	0.19	(1)	5	16	11	29
Japan	(0.13)	(1)	(1)	(1)	0	(1)
Germany	(0.72)	(1)	2	6	(5)	(1)
India <sup>A</sup>	4.10	3	(3)	(7)	(20)	(25)
China	2.23	0	(4)	23	(11)	(35)
<b>Currencies (Δ %)</b>						
EUR	1.1875	0.3	1.0	0	(2.1)	0.2
GBP	1.3833	0.5	1.0	(0.4)	(1.9)	4.2
JPY	109.94	0.1	0.1	(0.6)	0.3	(3.5)
AUD	0.7400	0.5	2.3	0.5	(3.4)	1.7
INR	73.07	0	1.6	1.7	(0.2)	0.6
CNY	6.4565	0.1	0.4	0.1	(0.8)	5.7
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,444	0.4	0.7	1.7	2.5	25.3
FTSE	7,164	0.2	0.5	1.2	1.4	22.4
DAX	15,841	0.1	0.3	1.7	1.3	21.3
NIKKEI	28,544	0.3	2.9	2.7	(1.8)	21.6
Shanghai Comp	3,597	0.8	2.7	3.8	0.4	6.3
SENSEX	57,853	0.9	3.4	9.3	10.8	48.4
Brent (US\$/bbl)	73.03	2.0	2.8	0.2	2.4	65.7
Gold (US\$/oz)	1,810	(0.2)	1.0	(0.2)	(3.3)	(6.3)
CRB Index	557.3	0	(0.5)	(1.2)	1.8	41.1
Rogers Agri Index	1,072.6	0.7	(1.4)	0.3	0.3	45.8
LIBOR (3M)*	0.12	0	0	0	(1)	(13)
INR 5Y Swap*	5.80	1	3	(1)	31	30
<b>India FII data (US\$ mn)</b>						
	<b>1 Sep</b>	<b>31 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	202.3	220.0	460.2	202.3	(1,211.6)	815.7
FII-Equity	87.6	384.5	705.4	87.6	7,478.2	151.8

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

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

**Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)