

MACRO DAILY

05 August 2021

Macro developments

- India's services PMI remained in contraction for the third month in a row, albeit at a softer pace. The print was at 45.4 in Jul'21 against 41.2 in Jun'21. Business activity, new orders and employment all showed contraction, but the pace softened compared to Jun'21. Input prices rose sharply and remained above long-term average. Even pass through to consumers was visible as output charges also rose at quicker pace in Jul'21- fastest in past five months. Sector wise consumer services was the worst hit, showing the impact of pandemic on demand.
- RBI reported that currency in circulation (CIC) declined by Rs 214bn and stood at Rs 29.5tn for the week ending 30 July 2021. Reserve money rose by 16.8% on a YoY basis, compared with 15.4% last year. On FYTD basis, reserve money increased by 3.2% against 5% increase, a year ago.
- JP Morgan global services PMI eased to 56.3 in Jul'21 from 57.5 in Jun'21 as activity slowed in APAC, led by Japan (47.4 vs 48) and Australia (44.2 vs 56.8). In UK too activity slowed (59.6 versus 62.4 in Jun'21). Elsewhere in Eurozone and US, PMI improved. Eurozone PMI rose to 59.8 in Jul'21 from 58.3 in Jun'21, as activity in Germany bounced back (61.8 versus 57.5). US ISM services index too jumped to 64.1 from 60.1 in Jun'21. In both US and Eurozone, new orders remained strong while input prices were seen stabilizing.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps (1.18%) supported by hawkish comment from one of the Fed officials. UK 10Y yield fell by 1bps (0.51%) as its services activity remained muted and also eyeing the BoE policy decision. Crude prices fell by 2.8% (US\$ 70/bbl) amidst worries of muted demand. India's benchmark 10Y yield closed flat at 6.2%.
- Currency:** Except INR and CNY (higher), other global currencies closed lower. DXY rose by 0.2% as US ISM services PMI jumped to a record high in Jul'21. It also got support from hawkish comments from Fed Vice Chair. JPY fell the most by 0.4% as Japan's services PMI eased further. INR rose by 0.1% as oil prices inched down. However, it is trading lower today in line with other Asian currencies.
- Equity:** Barring Nikkei and Dow, other global indices ended higher as investor monitored corporate earnings and awaited BoE rate decision. Amongst other indices, Sensex (1%) rose the most followed by Dax (0.9%). The gains in the domestic market was led by banking stocks. It is trading further 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	1	(5)	(24)	(38)	63
UK	0.51	(1)	(6)	(19)	(31)	38
Japan	0.01	(1)	(1)	(4)	(9)	(1)
Germany	(0.50)	(2)	(5)	(27)	(27)	1
India ^{AA}	6.20	0	1	13	22	43
China	2.83	0	(10)	(25)	(33)	(15)
2Y yields (Δ bps)						
US	0.18	1	(2)	(5)	3	6
UK	0.06	1	(2)	1	1	12
Japan	(0.12)	0	1	(1)	0	0
Germany	(0.78)	(1)	(3)	(11)	(9)	(9)
India ^A	4.20	(1)	(4)	(15)	(17)	1
China	1.93	0	(5)	(38)	(46)	(27)
Currencies (Δ %)						
EUR	1.1837	(0.2)	(0.1)	(0.2)	(1.4)	(0.2)
GBP	1.3889	(0.2)	(0.1)	0.5	(0.1)	5.9
JPY	109.48	(0.4)	0.4	1.4	(0.2)	(3.7)
AUD	0.7379	(0.2)	0	(2.0)	(4.8)	2.6
INR	74.19	0.1	0.3	0.8	(0.4)	1.0
CNY	6.4662	0.1	0.4	0.1	0.1	6.8
Equity & Other indices (Δ %)						
Dow	34,793	(0.9)	(0.4)	0	1.6	27.9
FTSE	7,124	0.3	1.5	0	1.2	16.7
DAX	15,692	0.9	0.8	0.3	3.4	23.9
NIKKEI	27,584	(0.2)	0	(4.2)	(4.3)	22.5
Shanghai Comp	3,477	0.8	3.4	(1.2)	0.9	3.0
SENSEX	54,370	1.0	3.7	3.6	11.7	44.4
Brent (US\$/bbl)	70.38	(2.8)	(5.8)	(7.6)	2.1	55.8
Gold (US\$/oz)	1,812	0.1	0.3	1.4	1.4	(11.1)
CRB Index	559.4	(0.2)	(0.6)	0.9	4.0	48.2
Rogers Agri Index	1,059.5	(0.4)	(0.8)	0.3	(3.2)	52.1
LIBOR (3M)*	0.12	0	(1)	(2)	(5)	(12)
INR 5Y Swap*	5.76	(3)	(6)	3	18	60
India FII data (US\$ mn)						
	3 Aug	2 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(63.3)	54.8	(8.5)	(8.5)	(3,261.7)	(1,234.4)
FII-Equity	282.4	(200.0)	82.4	82.4	6,460.6	(865.8)

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

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