

MACRO DAILY

06 August 2021

Macro developments

- Government of India has introduced Taxation Laws (Amendment) Bill, 2021 to scrap the retrospective tax law. Under this amendment, no tax demand shall be raised in future for any indirect transfer of Indian assets if the transaction was before 28 May 2012 (date of introduction). This is likely to benefit as many as 17 entities, from whom Rs 1.1tn was collected through this legislation. Centre has said it will refund about Rs 81bn. This move is likely to boost foreign investment.
- BoE in its latest policy has left its policy rate unchanged at 0.1%. The asset purchase programme was also left unchanged at £ 875bn by a 7-1 vote. However, it noted that “modest tightening” might be needed as inflation is expected to reach above 4% in Q4CY21, much above the bank’s target of 2% in the medium term. It also stated that it will reduce the stock of bond purchase programme “when bank rate has reached 0.5%, if appropriate given the economic circumstances”. BoE also maintained its growth forecast for CY21 at 7.25% and for CY22 at 6%.
- Germany’s factory orders rose by 4.1% (MoM) in Jun’21 versus 3.2% decline in May’21. The increase was driven by 6.8% increase in capital goods orders and 1.4% increase in intermediate goods. However, consumer goods orders fell by 1.1% in Jun’21. Domestic orders were the key driver of growth (9.6%). Export orders also increased, albeit at a slower pace (0.4%). Within this, orders from Eurozone rose (1.3%), while orders from rest of the world fell by 0.2%.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (1.22%) supported by better jobless claims data and hawkish comments from one of the Fed official. Germany, Japan and China’s 10Y yield closed stable. Crude prices rose by 1.3% (US\$ 71/bbl) due to ongoing tensions in the Middle East. India’s 10Y yield rose by 1bps (6.21%) awaiting RBI’s rate decision.
- Currency:** Global currencies closed mixed. DXY closed flat ahead of US jobs report. GBP rose by 0.3% supported by hawkish comments from BoE. JPY fell the most by 0.3%. AUD rose by 0.4% as Australia’s trade surplus rose more than expected. INR closed flat. Asian currencies are trading lower today.
- Equity:** Barring FTSE (flat) and Shanghai Comp (lower), other global indices ended higher as investor monitored corporate earnings and awaited US jobs report. Amongst other indices, Dow (0.8%) gained the most followed by Nikkei (0.5%). Sensex (0.2%) too ended in green led by technology stocks. It is trading further higher today; while other Asian stocks are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.22	4	(5)	(20)	(35)	69
UK	0.52	1	(5)	(19)	(27)	42
Japan	0.01	0	(1)	(3)	(8)	(1)
Germany	(0.50)	0	(5)	(29)	(27)	3
India ^{AA}	6.21	1	1	12	23	40
China	2.83	0	(7)	(26)	(32)	(16)
2Y yields (Δ bps)						
US	0.20	2	(1)	(4)	5	8
UK	0.09	3	2	4	5	13
Japan	(0.13)	(1)	0	(1)	(1)	(2)
Germany	(0.78)	1	(2)	(12)	(9)	(8)
India ^A	4.20	0	(5)	(15)	(17)	0
China	1.89	(4)	(10)	(38)	(50)	(35)
Currencies (Δ %)						
EUR	1.1834	0	(0.4)	(0.3)	(1.9)	(0.4)
GBP	1.3931	0.3	(0.2)	0.6	0.3	6.0
JPY	109.77	(0.3)	(0.3)	1.1	(0.6)	(4.0)
AUD	0.7405	0.4	0.1	(1.7)	(4.8)	2.3
INR	74.18	0	0.1	0.2	(0.6)	1.0
CNY	6.4615	0.1	(0.1)	0.0	0.0	7.1
Equity & Other indices (Δ %)						
Dow	35,064	0.8	(0.1)	0.8	1.5	28.0
FTSE	7,120	0	0.6	(0.6)	0.6	18.1
DAX	15,745	0.3	0.7	0.5	3.6	25.0
NIKKEI	27,728	0.5	(0.2)	(3.0)	(5.5)	23.7
Shanghai Comp	3,467	(0.3)	1.6	(1.9)	0.7	2.4
SENSEX	54,493	0.2	3.5	3.0	11.3	43.3
Brent (US\$/bbl)	71.29	1.3	(6.3)	(7.6)	4.7	58.1
Gold (US\$/oz)	1,804	(0.4)	(1.3)	0.7	(0.6)	(12.6)
CRB Index	560.2	0.1	(0.6)	1.0	3.4	47.6
Rogers Agri Index	1,060.6	0.1	(1.4)	0.5	(4.7)	52.1
LIBOR (3M)*	0.12	0	0	(2)	(4)	(12)
INR 5Y Swap*	5.81	5	2	9	23	59
India FII data (US\$ mn)						
	4 Aug	3 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	19.5	(63.3)	10.9	10.9	(3,242.3)	(1,215.0)
FII-Equity	467.4	282.4	549.9	549.9	6,928.0	(398.3)

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

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