

MACRO DAILY

06 July 2021

Macro developments

- India's services PMI moderated further to 41.2 in Jun'21 from 46.4 in May'21. This was the fastest pace of contraction since Jul'20, led by decline in new orders and business activity especially consumer services. Employment also fell for the seventh consecutive month. Higher input cost was passed on to consumers as firms lifted their selling price in Jun'21. Business sentiment was also down for the third month in a row.
- Europe's Jun'21 services PMIs indicate that while activity gathered pace in the Eurozone (58.3 versus 55.2 in May'21), it eased a tad in the UK (62.4 versus 62.9). In the Eurozone, new business orders rose to the highest since Jul'07, supported by international and domestic orders. As a result, employment rose at the strongest pace since Oct'18. Within the Eurozone, Germany reported record improvement with PMI (57.5 versus 52.8) reaching its highest since Mar'11.
- Household spending in Japan rose by 11.6% in May'21 (est. 11.1%) versus 13% in Apr'21 on a YoY basis. This was the third straight month of increase, mainly due to base effect (decline of 16.2% in May'20). However, over a 2-year horizon, household spending declined by 6.5% in May'21. Even on a MoM basis, spending declined by 2.1% as emergency measures imposed to curb the spread of Covid-19 impacted consumption.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield closed flat at 1.42% eyeing Fed minutes. Germany's 10Y yield rose by 3bps (-0.21%) as services activity remained buoyant. Crude prices rose by 1.3% (US\$ 77/bbl) as doubts were raised about OPEC+ supply policy after UAE rejected a proposed 8-month extension to output curbs. India's 10Y yield rose by 2bps (6.09%). It is trading further higher at 6.14% today, as RBI introduced new benchmark security.
- Currency:** Except JPY and EUR (flat), other global currencies closed higher against the dollar. DXY was marginally lower ahead of FOMC minutes. GBP rose by 0.1% as UK plans on lifting lockdown restrictions on 19 Jul. INR rose by 0.6% even as oil prices rose. It is trading further higher today, while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei, other global indices ended higher as investors monitored global PMI and awaited Fed's minutes. European indices ended in green. Amongst other indices, Sensex (0.8%) surged the most on hopes of economic recovery with drop in Covid-19 cases. Real estate and metal stocks advanced the most. 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	1.42	0	(5)	(13)	(28)	75
UK	0.71	1	(1)	(8)	(8)	51
Japan	0.04	(1)	(2)	(5)	(8)	(0)
Germany	(0.21)	3	(2)	0	12	22
India	6.09	2	3	6	(3)	25
China	3.08	0	(2)	(5)	(12)	5
2Y yields (Δ bps)						
US	0.23	0	(2)	9	7	8
UK	0.06	0	0	(1)	(2)	13
Japan	(0.11)	0	(1)	0	0	1
Germany	(0.66)	1	(1)	1	5	2
India	4.58	(4)	3	(8)	3	43
China	2.28	(4)	(13)	(8)	(24)	19
Currencies (Δ %)						
EUR	1.1864	0	(0.5)	(2.5)	0.4	4.9
GBP	1.3844	0.1	(0.3)	(2.2)	(0.4)	10.8
JPY	110.97	0	(0.3)	(1.3)	(0.7)	(3.4)
AUD	0.7530	0.1	(0.5)	(2.7)	(1.6)	8.0
INR	74.31	0.6	(0.2)	(1.8)	(1.4)	0.5
CNY	6.4642	0.1	(0.1)	(1.1)	1.6	7.9
Equity & Other indices (Δ %)						
Dow	34,786	0.4	1.5	0.1	3.8	32.3
FTSE	7,165	0.6	1.3	1.4	6.3	14.0
DAX	15,662	0.1	0.7	(0.2)	3.7	23.0
NIKKEI	28,598	(0.6)	(1.5)	(1.2)	(5.0)	25.9
Shanghai Comp	3,534	0.4	(2.0)	(1.6)	2.0	6.0
SENSEX	52,880	0.8	0.3	1.5	7.6	44.9
Brent (US\$/bbl)	77.16	1.3	3.3	7.3	24.2	79.0
Gold (US\$/oz)	1,792	0.3	0.7	(5.3)	3.7	0.4
CRB Index	554.5	0	(0.1)	0.6	9.7	53.3
Rogers Agri Index	1,055.8	(0.4)	1.8	(2.9)	12.0	54.1
LIBOR (3M)*	0.14	(1)	(1)	1	(6)	(14)
INR 5Y Swap*	5.72	(1)	0	14	(10)	40
India FII data (US\$ mn)						
	2 Jul	1 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	10.3	(23.2)	(87.5)	(12.9)	(3,179.7)	(1,152.4)
FII-Equity	(335.6)	(15.4)	(217.1)	(351.0)	7,733.2	406.8

Source: Bloomberg, Bank of Baroda Research | *Indicates change in bps

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