

## MACRO DAILY

06 September 2021

### Macro developments

- India's services PMI rebounded sharply in Aug'21 to 56.7 from 45.4 in Jul'21, led by pick up in new orders and improved demand conditions. Domestic new orders increased while export orders continued to contract at a faster pace. Employment however continued to decline, albeit at a slower pace. Elevated input price inflation led to rise in output prices, however the increase was only marginal and weakest since Mar'21. Future business sentiment index rose to its highest in 5 months, a marked change from downbeat assessment in Jul'21.
- Additions to US nonfarm payrolls rose at a less than expected pace of 235k in Aug'21 (est.: 733k) and also far lower compared to 1,053k addition in Jul'21. Employment in leisure and hospitality sector was unchanged, after increasing by an average of 350k/month over the last six months. Unemployment rate and labour force participation rate was at 5.2% and 61.7 respectively. Average hourly earnings on MoM basis however rose to 0.6% from 0.4% earlier.
- Eurozone services PMI eased to 59 in Aug'21 from 59.8 in Jul'21 (15-year high). Concerns over Covid-19 delta variant and supply bottlenecks added to overall cost and restrained output levels. However, employment sector registered the strongest improvement since Sep'18. Services PMI of Germany and France eased marginally to 60.8 (61.8 in Jul'21) and 56.3 (56.8 in Jul'21). US ISM services PMI too edged lower to 61.7 (64.1 in Jul'21) due to softer pace of increase in new orders and employment.

**Sonal Badhan | Sameer Narang**  
 chief.economist@bankofbaroda.com

### Markets

- Bonds:** Except China (stable), global yields closed higher. US 10Y yield rose by 4bps (1.32%) despite jobs data remaining far below expectation. Crude prices fell by 0.6% (US\$ 73/bbl) amidst concerns of muted demand. India's 10Y yield fell by 1bps (6.16%) supported by better auction results. It is trading at 6.14% today.
- Currency:** Except EUR and CNY (flat), other global currencies closed higher against the dollar. DXY fell marginally as US non-farm payroll additions rose less than expected. AUD rose the most by 0.8%. INR also gained by 0.1% as oil prices softened. However it is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring Sensex and Nikkei, other global indices ended lower as investors monitored disappointing US jobs data print. European indices and Shanghai Comp dropped by 0.4% each. On the other hand, Sensex (0.5%) ended at an all-time high led by oil and gas and metal stocks. It is trading higher today in line with other Asian stocks.



**Fig 1 – Movement in key global asset classes**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.32	4	2	15	(23)	60
UK	0.72	4	14	20	(7)	45
Japan	0.04	1	2	3	(5)	0
Germany	(0.36)	2	6	12	(15)	11
India <sup>AA</sup>	6.16	(1)	(10)	(4)	13	23
China	2.83	0	(4)	0	(30)	(30)
<b>2Y yields (Δ bps)</b>						
US	0.21	0	(1)	4	6	6
UK	0.20	0	8	14	13	27
Japan	(0.12)	0	(2)	(1)	(1)	(1)
Germany	(0.71)	1	3	6	(4)	(1)
India <sup>A</sup>	4.07	(4)	(7)	(14)	(59)	(27)
China	2.25	2	(2)	31	(11)	(35)
<b>Currencies (Δ %)</b>						
EUR	1.1880	0	0.7	0.1	(2.4)	0.4
GBP	1.3871	0.3	0.8	(0.3)	(2.0)	4.5
JPY	109.71	0.2	0.1	(0.6)	(0.2)	(3.3)
AUD	0.7460	0.8	2.0	0.9	(3.6)	2.4
INR	73.02	0.1	0.9	1.7	0	0.2
CNY	6.4552	0	0.3	0.2	(0.9)	5.7
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,369	(0.2)	(0.2)	0.7	1.8	25.7
FTSE	7,138	(0.4)	(0.1)	0.5	1.0	23.1
DAX	15,781	(0.4)	(0.4)	1.5	0.6	22.9
NIKKEI	29,128	2.0	5.4	5.4	0.6	25.5
Shanghai Comp	3,582	(0.4)	1.7	3.9	(0.3)	6.7
SENSEX	58,130	0.5	3.6	8.0	11.6	51.5
Brent (US\$/bbl)	72.61	(0.6)	(0.1)	0.3	1.0	70.2
Gold (US\$/oz)	1,828	1.0	0.6	1.0	(3.4)	(5.5)
CRB Index	558.0	0.1	(0.6)	(0.5)	1.2	40.0
Rogers Agri Index	1,079.2	0.6	(1.0)	1.4	(0.7)	46.6
LIBOR (3M)*	0.12	0	0	0	(1)	(13)
INR 5Y Swap*	5.80	0	7	1	22	26
<b>India FII data (US\$ mn)</b>						
	<b>2 Sep</b>	<b>1 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(9.7)	202.3	450.6	192.7	(1,221.2)	806.1
FII-Equity	182.9	87.6	888.3	270.5	7,661.0	334.7

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

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For further details about this publication, please contact:

**Economics Research Department**

Bank of Baroda

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