

MACRO DAILY

07 September 2021

Macro developments

- As per FADA, India's auto sales rose at a much slower pace of 14.5% in Aug'21 from 34.1% in Jul'21. Even PV and two-wheeler sales moderated by 38.7% (63% in Jul'21) and 6.6% (28% in Jul'21) respectively in Aug'21. Auto retail sales declined over a 2-year horizon to 14.7% in Aug'21, signalling subdued demand. Further, shortage of semi-conductors has added to supply side challenges. This is likely to pose additional risk in the upcoming festive season.
- China's exports surprised positively, rising by 25.6% in Aug'21 (est.: 17.3%) from 19.3% in Jul'21. The rebound was driven by higher exports of electronics, furniture and recreational products. In addition, clearing of congestion at some ports, which had earlier been shut down for 2 weeks due to surge in Covid-19 cases also helped. Imports too improved in Aug'21, rising by 33.1% (est.: 26.9%) from 28.1% in Jul'21. While semi-conductor imports continued to decline, that of agriculture commodities, industrial metals, and oil rose sharply.
- Germany's factory orders rose unexpectedly by 3.4% in Jul'21 versus an estimated decline of 0.7% on a MoM basis. In Jun'21, factory orders had risen by 4.6%. The level of new orders inched up to a record high in Jul'21, led by a surge in foreign orders (8% increase MoM). Orders from the shipbuilding sector rose steeply. Orders for consumer goods (7.5%) and capital goods (5.4%) also increased.

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Markets

- Bonds:** Global yields closed mixed. Germany's 10Y yield fell by 1bps (-0.37%) ahead of ECB policy decision. US 10Y yield closed flat at 1.32% as investors remain cautious after dismal jobs data. Crude prices fell by 0.5% (US\$ 72/bbl) as Saudi Arabia slashed crude prices for Asia. India's 10Y yield rose a tad by 1bps (6.17%). It is trading higher at 6.19% today.
- Currency:** Except CNY (flat), other global currencies closed lower against the dollar. DXY remained subdued after dismal jobs report. AUD fell the most by 0.3%. INR depreciated by 0.1% despite lower oil prices. It is trading further lower today while other Asian currencies are trading mixed.
- Equity:** Barring Dow, other global indices ended higher amidst expectations of delay in Fed's tapering process. Amongst other indices, Nikkei (1.8%) surged the most followed by Shanghai Comp (1.1%). Sensex (0.3%) too ended in green led by real estate and consumer durable stocks. However, it is trading lower 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	1.32	0	4	3	(25)	60
UK	0.69	(2)	12	8	(11)	45
Japan	0.05	1	3	4	(3)	0
Germany	(0.37)	(1)	7	9	(17)	10
India ^{AA}	6.17	1	(5)	(6)	15	18
China	2.83	0	(2)	2	(31)	(32)
2Y yields (Δ bps)						
US	0.21	0	0	0	5	6
UK	0.18	(2)	6	4	9	27
Japan	(0.12)	0	(2)	0	0	0
Germany	(0.72)	(1)	2	4	(5)	(1)
India ^A	4.07	0	(4)	(19)	(57)	(35)
China	2.24	0	(1)	32	(15)	(36)
Currencies (Δ %)						
EUR	1.1870	(0.1)	0.6	0.9	(2.6)	0.4
GBP	1.3837	(0.2)	0.6	(0.3)	(2.4)	5.1
JPY	109.86	(0.1)	0.1	0.4	(0.6)	(3.4)
AUD	0.7439	(0.3)	2.0	1.1	(4.1)	2.2
INR	73.11	(0.1)	0.2	1.4	(0.4)	0.3
CNY	6.4582	0	0.1	0.4	(1.0)	5.5
Equity & Other indices (Δ %)						
Dow	35,369	(0.2)	(0.1)	0.5	2.1	25.7
FTSE	7,187	0.7	0.5	0.9	1.6	21.0
DAX	15,932	1.0	0.3	1.1	1.6	21.6
NIKKEI	29,660	1.8	6.7	6.6	2.2	28.5
Shanghai Comp	3,622	1.1	2.7	4.7	0.6	10.0
SENSEX	58,297	0.3	2.5	7.4	11.4	51.7
Brent (US\$/bbl)	72.22	(0.5)	(1.6)	2.1	1.0	71.9
Gold (US\$/oz)	1,823	(0.2)	0.7	3.4	(4.0)	(5.7)
CRB Index	558.0	0.1	(0.4)	(0.4)	1.2	40.0
Rogers Agri Index	1,079.2	0.6	(0.1)	1.1	(0.8)	46.6
LIBOR (3M)*	0.12	0	0	(1)	(1)	(13)
INR 5Y Swap*	5.78	(2)	6	(12)	19	17
India FII data (US\$ mn)						
	3 Sep	2 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(32.8)	(9.7)	417.8	159.9	(1,254.0)	773.3
FII-Equity	(86.9)	182.9	801.4	183.6	7,574.2	247.8

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

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