

## MACRO DAILY

08 July 2021

### Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 67.4bn and stood at Rs 29.7tn for the week ending 2 July 2021. Reserve money rose by 17.2% on a YoY basis, compared with 14.3% last year. On FYTD basis, reserve money increased by 3.5% against 5% increase, a year ago.
- US Fed minutes highlighted that economic outlook still remains uncertain and “substantial further progress” is needed to decide on the timing of scaling back asset purchase program. However, FOMC members said that this is expected to happen much earlier than anticipated. Regarding inflation, FOMC members reiterated that the spike is transient. However, labour shortages and supply bottlenecks might pose upside risk in the near term.
- Germany’s industrial production fell by 0.3% in May’21 (est.: 0.4% increase), at the same pace as Apr’21. Industry (excl energy and construction) output fell by 0.5% in May’21 following 0.4% decline in Apr’21. Within this, capital goods production fell the most by 3.4%. Manufacturing activity has been mainly hit by supply chain blockages (Suez Canal in April and ongoing semiconductor shortages). Energy production was also down by 2.1%. However, construction output rose by 1.3% in May’21.

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### Markets

- **Bonds:** Global yields closed lower as oil prices started retreating owing to uncertainty concerning OPEC+ future supply policy. Crude prices fell by 1.5% to US\$ 73/bbl. US 10Y yield fell by 3bps to 1.32% as Fed minutes still highlighted concerns about economic outlook. India’s 10Y yield fell by 1bps (6.17%).
- **Currency:** Global currencies closed mixed. DXY rose by 0.1% as FOMC minutes suggested that the Fed may taper its asset purchase programme sooner than anticipated. EUR depreciated the most by 0.3% as Germany’s industrial production fell unexpectedly in May’21. INR fell by 0.1%. It is trading further lower today, in line with other Asian currencies.
- **Equity:** Barring Nikkei, other global indices ended higher. Amongst other indices, Dax (1.2%) surged the most, followed by FTSE and Shanghai Comp both gaining by 0.7% each. Sensex too ended in green led by metal and real estate 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         |
|---|--------------|--------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |              |              |            |            |             |             |
| US                                      | 1.32         | (3)          | (15)       | (24)       | (36)        | 65          |
| UK                                      | 0.60         | (3)          | (12)       | (19)       | (17)        | 42          |
| Japan                                   | 0.03         | (1)          | (2)        | (5)        | (7)         | 0           |
| Germany                                 | (0.30)       | (3)          | (9)        | (9)        | 3           | 14          |
| India                                   | 6.17         | (1)          | 12         | 14         | 9           | 39          |
| China                                   | 3.06         | (3)          | (4)        | (7)        | (17)        | (1)         |
| <b>2Y yields (Δ bps)</b>                |              |              |            |            |             |             |
| US                                      | 0.21         | 0            | (3)        | 7          | 6           | 6           |
| UK                                      | 0.06         | 1            | 0          | (1)        | 0           | 14          |
| Japan                                   | (0.11)       | 0            | (2)        | 1          | 1           | 2           |
| Germany                                 | (0.68)       | 0            | (1)        | (1)        | 3           | (1)         |
| India <sup>^</sup>                      | 4.38         | (2)          | (39)       | (28)       | (22)        | 25          |
| China                                   | 2.26         | (2)          | (9)        | (10)       | (26)        | 15          |
| <b>Currencies (Δ %)</b>                 |              |              |            |            |             |             |
| EUR                                     | 1.1790       | (0.3)        | (0.6)      | (3.1)      | (0.7)       | 4.1         |
| GBP                                     | 1.3801       | 0            | (0.2)      | (2.5)      | 0.5         | 9.4         |
| JPY                                     | 110.66       | 0            | 0.4        | (1.0)      | (0.7)       | (3.2)       |
| AUD                                     | 0.7487       | (0.1)        | (0.1)      | (3.3)      | (1.7)       | 7.2         |
| INR                                     | 74.62        | (0.1)        | (0.4)      | (2.2)      | (0.1)       | 0.5         |
| CNY                                     | 6.4728       | 0.1          | (0.2)      | (1.2)      | 1.1         | 7.6         |
| <b>Equity &amp; Other indices (Δ %)</b> |              |              |            |            |             |             |
| Dow                                     | 34,682       | 0.3          | 0.5        | (0.2)      | 3.7         | 33.0        |
| FTSE                                    | 7,151        | 0.7          | 1.6        | 1.2        | 3.9         | 16.2        |
| DAX                                     | 15,693       | 1.2          | 1.0        | (0.0)      | 3.4         | 25.6        |
| NIKKEI                                  | 28,367       | (1.0)        | (1.5)      | (2.0)      | (4.6)       | 26.4        |
| Shanghai Comp                           | 3,554        | 0.7          | (1.0)      | (1.1)      | 2.1         | 4.4         |
| SENSEX                                  | 53,055       | 0.4          | 1.1        | 1.8        | 6.8         | 46.0        |
| Brent (US\$/bbl)                        | 73.43        | (1.5)        | (2.3)      | 2.1        | 16.3        | 69.6        |
| Gold (US\$/oz)                          | 1,804        | 0.4          | 1.9        | (4.7)      | 3.8         | (0.3)       |
| CRB Index                               | 553.3        | 0.2          | (0.5)      | 0.4        | 8.9         | 52.4        |
| Rogers Agri Index                       | 1,022.7      | 0.1          | (3.7)      | (5.9)      | 7.6         | 47.9        |
| LIBOR (3M)*                             | 0.13         | 0            | (1)        | 1          | (6)         | (14)        |
| INR 5Y Swap*                            | 5.74         | (4)          | 1          | 16         | (1)         | 44          |
| <b>India FII data (US\$ mn)</b>         |              |              |            |            |             |             |
|   | <b>6 Jul</b> | <b>5 Jul</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (119.5)      | 74.5         | (44.9)     | (57.8)     | (3,224.6)   | (1,197.4)   |
| FII-Equity                              | 139.4        | 59.0         | 198.4      | (152.7)    | 7,931.5     | 605.2       |

Source: Bloomberg, Bank of Baroda Research | \*Indicates change in bps | ^ 4.26GS2023 security has been used

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