

MACRO DAILY

09 August 2021

Macro developments

- RBI's consumer confidence remained weak in Jul'21 at 48.6 from 48.5 in May'21 (all time-low), as households reported higher prices and lower income compared with last year. However, consumers remained optimistic for the future with the index inching up to 104 (96.4 in May'21) in Jul'21. Overall sentiment on spending largely remained unchanged as the increase in essential spending was offset by a dip in non-essential spending. Additionally, consumers expect further contraction in discretionary expenditure in the year ahead.
- China's PPI rose by 9% in Jul'21 (est. 8.8%), up from 8.8% in Jun'21 as prices of coal and oil inched up. However, prices of steel and non-ferrous metals moderated, owing to China's policy measures (restrictions on export of steel and crackdown on commodity speculation). Separately, CPI moderated to 1% in Jul'21 (est.: 0.8%), from 1.1% in Jun'21 as food prices fell by 3.7% in Jul'21 following 1.7% drop in Jun'21. Non-food prices increased, led by oil, hotels and travel. Prices of flights were up by 24.3% and accommodation by 3.8%.
- Labour market scenario in the US remained buoyant as non-farm payroll rose more than anticipated by 943k in Jul'21 (est: 870k) and against 938k addition in Jun'21. Sector-wise, leisure and hospitality, education, professional and business services contributed the most. Unemployment rate eased to 5.4% from 5.9%. Labour force participation rate rose to 61.7 from 61.6. Even average hourly earnings rose by 4% versus 3.7%, on YoY basis.

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

Markets

- **Bonds:** Except China (lower), global yields closed higher. UK's 10Y yield rose the most by 9bps (0.61%) as BoE signalled "modest tightening". US 10Y yield rose by 7bps (1.3%) as employment data remained buoyant. Crude prices fell by 0.8% (US\$ 71/bbl). India's 10Y yield rose by 3bps (6.23%) as RBI revised its inflation forecast for FY22 upward by 60bps and signalled normalisation.
- **Currency:** Except INR (flat), other global currencies closed lower against the dollar. DXY rose by 0.6% on the back of stronger than expected US non-farm payrolls. EUR depreciated by 0.6% as Germany's industrial production growth faltered in Jun'21. INR is trading lower today while other Asian currencies are trading mixed.
- **Equity:** Global indices ended mixed as investors monitored corporate earnings and rising Covid-19 cases. Amongst other indices, Dow (0.4%) gained the most on the back of better than expected US jobs report. On the other hand, Sensex (0.4%) ended in red led by losses in metals and cap goods stocks. However, 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
10Y yields (Δ bps)						
US	1.30	7	7	(5)	(28)	73
UK	0.61	9	5	(2)	(16)	47
Japan	0.02	1	(1)	(3)	(7)	0
Germany	(0.46)	4	1	(19)	(24)	5
India ^{AA}	6.23	3	3	6	22	40
China	2.82	(1)	(4)	(28)	(34)	(17)
2Y yields (Δ bps)						
US	0.21	1	2	(1)	6	8
UK	0.14	5	8	9	11	16
Japan	(0.12)	0	(1)	(1)	1	(1)
Germany	(0.76)	2	1	(8)	(7)	(7)
India ^A	4.25	5	2	(14)	(9)	3
China	1.92	3	(8)	(36)	(47)	(31)
Currencies (Δ %)						
EUR	1.1762	(0.6)	(0.9)	(0.5)	(3.3)	(0.2)
GBP	1.3872	(0.4)	(0.2)	0.5	(0.8)	6.3
JPY	110.25	(0.4)	(0.5)	0.3	(1.5)	(4.1)
AUD	0.7356	(0.7)	0.2	(1.9)	(6.2)	2.8
INR	74.15	0	0.4	0.5	(0.9)	1.0
CNY	6.4831	(0.3)	(0.3)	(0.1)	(0.8)	7.0
Equity & Other indices (Δ %)						
Dow	35,209	0.4	0.8	1.8	1.2	28.3
FTSE	7,123	0	1.3	0.3	(0.1)	18.1
DAX	15,761	0.1	1.4	1.6	2.3	24.4
NIKKEI	27,820	0.3	2.0	(2.9)	(5.2)	24.6
Shanghai Comp	3,458	(0.2)	1.8	(2.0)	1.2	3.1
SENSEX	54,278	(0.4)	3.2	2.7	10.3	42.7
Brent (US\$/bbl)	70.70	(0.8)	(7.4)	(5.1)	3.5	59.2
Gold (US\$/oz)	1,763	(2.3)	(2.8)	(1.9)	(3.7)	(13.4)
CRB Index	560.3	0	(0.3)	1.5	3.2	48.0
Rogers Agri Index	1,068.0	0.7	0.8	4.5	(4.9)	54.5
LIBOR (3M)*	0.13	0	1	(1)	(3)	(13)
INR 5Y Swap*	5.90	9	10	12	30	67
India FII data (US\$ mn)						
	5 Aug	4 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	8.2	19.5	19.1	19.1	(3,234.1)	(1,206.8)
FII-Equity	(73.1)	467.4	476.7	476.7	6,854.9	(471.4)

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com