

## MACRO DAILY

09 September 2021

### Macro developments

- In order to encourage crop diversification and boost production, Government of India has increased MSP for Rabi crops for marketing season 2022-23 (beginning 1 Apr 2022). Higher MSP will also ensure farmers receive remunerative prices for their crops. Sharpest increase has been seen for mustard and rapeseed crops (8.6%), followed by lentils (7.8%). MSP for barley and wheat has been hiked by 2.2% and 2% respectively. In terms of returns over cost, wheat and mustard are estimated to have the highest return at 100% each, followed by lentils (79%).
- As per AMFI data, net inflows in mutual funds moderated to Rs 330bn in Aug'21 from Rs 1.1tn in Jul'21. This was on account of Rs 54bn outflows in the debt segment as against Rs 639bn inflows in Jul'21. Equity inflows also moderated to Rs 90bn from Rs 214bn. AUM of mutual funds however rose to Rs 36.6tn from Rs 35.3tn in Jul'21.
- China's PPI rose by 9.5% in Aug'21 (highest since Aug'08) from 9% in Jul'21. This was owing to elevated global commodity prices, in particular prices of coal, chemicals and steel. However, going forward analysts expect PPI to begin easing as dip in credit growth and restrictions in the real estate sector will weigh in on global coal and metal prices. On the other hand, CPI eased to 0.8% in Aug'21 from 1% in Jul'21 as both food (led by pork) and non-food prices (led by travel services) softened. Core inflation also eased to 1.2% from 1.3% in Jul'21.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield dropped the most by 4bps (1.34%) as New York Fed Bank President said that progress is needed in the labour market before reducing stimulus. Germany's 10Y yield closed stable ahead of ECB policy. Crude prices rose by 1.3% (US\$ 73/bbl) due to lower US output and political problems in Libya. India's 10Y yield fell by 1bps (6.19%). It is trading at 6.18% today.
- Currency:** Except JPY (flat) and CNY (higher), other global currencies closed lower. DXY rose by 0.2% as US job openings rose to a record high in Jul'21. EUR fell by 0.2% ahead of ECB policy meet. INR depreciated further by 0.3% amidst higher oil prices. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Nikkei and Shanghai Comp, other global indices ended lower ahead of the ECB meeting. Amongst all, Dax (1.5%) dropped the most followed by FTSE (0.8%). Sensex (0.1%) too ended in red with technology and auto stocks falling the most. It is trading lower 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	1.34	(4)	4	4	(15)	64
UK	0.74	1	5	13	1	51
Japan	0.05	0	1	3	(2)	1
Germany	(0.32)	0	5	13	(8)	14
India <sup>AA</sup>	6.19	(1)	(1)	(4)	17	20
China	2.87	1	5	5	(27)	(22)
<b>2Y yields (Δ bps)</b>						
US	0.22	0	1	1	6	7
UK	0.21	2	1	7	15	29
Japan	(0.12)	0	0	0	0	(1)
Germany	(0.70)	0	2	6	(2)	(1)
India <sup>A</sup>	4.07	0	0	(18)	(54)	(43)
China	2.26	2	3	34	(16)	(33)
<b>Currencies (Δ %)</b>						
EUR	1.1816	(0.2)	(0.2)	0.5	(3.0)	0.1
GBP	1.3771	(0.1)	0	(0.7)	(2.5)	5.9
JPY	110.25	0	(0.2)	0	(0.6)	(3.8)
AUD	0.7365	(0.3)	0	0.1	(4.7)	1.1
INR	73.60	(0.3)	(0.7)	0.7	(0.9)	(0.1)
CNY	6.4617	0.1	0	0.3	(1.2)	5.4
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	35,031	(0.2)	(0.8)	(0.5)	1.7	25.4
FTSE	7,096	(0.8)	(0.8)	(0.4)	0.2	18.0
DAX	15,610	(1.5)	(1.4)	(1.0)	0.2	17.9
NIKKEI	30,181	0.9	6.1	8.5	4.6	31.0
Shanghai Comp	3,675	0	3.0	6.3	2.3	12.9
SENSEX	58,250	(0.1)	1.6	7.3	12.1	52.5
Brent (US\$/bbl)	72.60	1.3	1.4	2.7	0.5	78.0
Gold (US\$/oz)	1,789	(0.3)	(1.4)	1.5	(5.3)	(8.1)
CRB Index	554.4	0	(0.5)	(1.0)	(1.0)	38.9
Rogers Agri Index	1,062.0	(0.7)	(0.3)	(0.6)	(2.7)	45.0
LIBOR (3M)*	0.12	0	0	(1)	(1)	(13)
INR 5Y Swap*	5.79	(1)	0	(11)	14	21
<b>India FII data (US\$ mn)</b>						
	<b>7 Sep</b>	<b>6 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	22.4	31.0	53.3	213.2	(1,200.7)	826.6
FII-Equity	87.7	57.5	145.2	328.8	7,719.3	393.0

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

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