

MACRO DAILY

22 September 2021

Macro developments

- ADB has downgraded India's GDP growth forecast for FY22 to 10% from 11% estimated earlier mainly due to the impact of the second-wave of Covid-19. Inflation forecast has been revised upwards to 5.5% for FY22 from 5.2% earlier led by rising input costs. Separately, OECD has also trimmed India's growth forecast to 9.7% in FY22 versus 9.9% earlier and revised inflation forecast upwards to 5.9% (5.4% earlier). Both organisations noted that despite higher growth rates, India's output still remains below pre-pandemic levels.
- As per the first advance estimates for kharif crops, foodgrain production is expected to clock a record production of 150.5mt (million tonne) in the crop year 2021-2022 (up by 0.6% compared with last year). The improvement is on the back of pickup in monsoon activity in Sep'21 (only 4% below LPA) and higher rice output (up by 2.5%). Notably, output of pulses (8.7%), sugarcane (5%) and cotton (2.4%) is expected to increase. However, production of coarse cereals is expected to drop by 6.7% in the same period. As of now (17 Sep 2021), overall kharif sowing is down by 0.8% compared with last year.
- Bank of Japan (BoJ) voted 8-1 to keep policy rate unchanged at (0.1%) and the target for 10Y government bond yield at ~0%. The current pace of asset purchase was also retained. The statement also reiterated further monetary stimulus as and when needed. This is on the back of weakening economic activity. On growth front, BoJ commented that "it remained in a severe state due to the impact of the pandemic."

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Markets

- **Bonds:** Global yields closed mixed. 10Y yields in UK and US rose a tad by 1bps each ahead of policy decisions. Japan's 10Y yield fell by 1bps. Crude prices rose by 0.6% (US\$ 74/bbl) due to drop in US inventories. India's 10Y yield fell by 2bps (6.12%) amidst reports of OMO purchase by RBI in Oct'21. It is trading at 6.13% today.
- **Currency:** Global currencies closed mixed. DXY drifted marginally lower awaiting cues from the FOMC meet. EUR and GBP closed flat. CNY fell by 0.1% amidst concerns over the Evergrande crisis. INR rose by 0.2% supported by FII inflows. However it is trading lower today, while other Asian currencies are trading mixed.
- **Equity:** Barring Dow and Nikkei, other indices ended higher, with Dax and FTSE gaining the most. European indices were supported by travel and leisure, as well as oil and gas stocks. Sensex (0.9%) too ended in green led by real estate, metal and tech stocks. It is trading further higher today while other Asian indices are trading lower.



Fig 1 – Movement in key global asset classes

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.32	1	4	7	(14)	65
UK	0.81	1	7	28	3	60
Japan	0.04	(1)	(1)	3	(2)	3
Germany	(0.32)	0	2	18	(15)	19
India ^{AA}	6.12	(2)	(8)	(11)	10	11
China	2.88	(1)	(1)	3	(22)	(21)
2Y yields (Δ bps)						
US	0.21	0	1	(1)	(1)	8
UK	0.28	2	5	18	17	33
Japan	(0.13)	(1)	(1)	(1)	(2)	1
Germany	(0.71)	1	(1)	4	(6)	0
India ^A	4.10	0	(3)	(2)	(67)	(33)
China	2.33	0	1	42	(14)	(26)
Currencies (Δ %)						
EUR	1.1726	0	(0.7)	0.2	(1.8)	0.2
GBP	1.3659	0	(1.1)	0.3	(2.1)	7.3
JPY	109.23	0.2	0.4	0.5	1.3	(4.1)
AUD	0.7231	(0.3)	(1.2)	1.4	(4.3)	0.8
INR	73.61	0.2	0.1	1.1	1.0	0
CNY	6.4661	(0.1)	(0.4)	0.5	0.2	4.6
Equity & Other indices (Δ %)						
Dow	33,920	(0.1)	(1.9)	(3.4)	(0.1)	24.3
FTSE	6,981	1.1	(0.8)	(1.5)	(1.5)	19.8
DAX	15,349	1.4	(2.4)	(2.9)	(1.8)	21.9
NIKKEI	29,840	(2.2)	(2.7)	10.5	3.3	27.7
Shanghai Comp	3,614	0.2	(1.3)	5.4	1.6	10.4
SENSEX	59,005	0.9	1.3	6.6	12.2	56.4
Brent (US\$/bbl)	74.36	0.6	1.0	14.1	(0.6)	78.2
Gold (US\$/oz)	1,775	0.6	(1.7)	(0.4)	(0.2)	(6.6)
CRB Index	547.1	(0.6)	(1.4)	(2.3)	(1.1)	34.4
Rogers Agri Index	1,055.5	0	(0.5)	(0.9)	3.2	40.8
LIBOR (3M)*	0.12	0	1	0	(1)	(10)
INR 5Y Swap*	5.74	(1)	2	(9)	5	22
India FII data (US\$ mn)						
	20 Sep	17 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	87.7	9.3	87.7	520.1	(893.8)	1,133.5
FII-Equity	10.8	244.4	10.8	1,409.2	8,799.8	1,473.5

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

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