

MACRO DAILY

24 August 2021

Macro developments

- In an effort to crowd in private investment, government has unveiled a National Monetisation Plan (NMP) of brownfield assets, to generate upfront revenue of Rs 6tn between FY22-25. This proposal covers asset handling of roads, railways, airports, stadiums, power transmission lines and gas pipelines. Under this plan, assets will be monetised through "structured contractual partnership". Notably, it involves monetisation of rights and not ownership. This is likely to ease the fiscal burden of the government (4.5% fiscal deficit target by FY26).
- Flash PMIs for the US (61.2 in Aug'21 versus 63.4 in Jul'21), UK (60.1 versus 60.4) and Eurozone (61.5 versus 62.8) showed that manufacturing activity eased across regions in Aug'21. Severe shortage of raw material impacted activity in the US and UK. In US, increased cost burden and spread of Delta variant also impacted activity. Services sector too showed similar trend with activity slowing across board. Labour shortage remained a key concern for all.
- US existing home sales rose by 2% in Jul'21, up from 1.6% in Jun'21. This was led by a dip in mortgage rates in Jul'21 (after remaining steady in May'21 and Jun'21) and increased supply of homes. Inventory of homes rose to 2.5 months versus 2.3 months in Jun'21. Increased supply led to marginal dip in median home prices (17.8% YoY in Jul'21 versus 23.2% in Jun'21). Reopening of the economy and stronger economic outlook has also helped the real estate sector.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except US (stable), global yields closed higher. China's 10Y yield rose by 2bps (2.87%) as moderation was seen in Covid-19 cases. Investors are also eyeing Fed Chair's comments at the upcoming Jackson Hole meeting. Crude prices rose by 5.5% (US\$ 69/bbl) after FDA's full approval of Covid-19 vaccine. India's 10Y yield rose by 1bps (6.24%). It is trading at 6.25% today.
- **Currency:** Global currencies closed higher against the dollar. DXY fell by 0.6% after soaring to a 9-month high last week, as US (flash) manufacturing slipped further in Aug'21. AUD rose the most by 1.1%, followed by GBP which rose by 0.7%. INR rose by 0.2% supported by global cues and FII inflows. It is trading further higher today in line with other Asian currencies.
- **Equity:** Global indices ended higher as US FDA gave full approval to Pfizer/BioNTech's Covid-19 vaccine. Receding expectations of Fed tapering amidst a dip in US manufacturing activity also supported investor sentiments. Asian stocks advanced the most led by Nikkei (1.8%). Sensex rose by 0.4% led by technology and oil and gas stocks. It is trading further 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	1.25	0	(1)	(2)	(35)	60
UK	0.54	1	(4)	(5)	(28)	32
Japan	0.02	1	0	0	(6)	(1)
Germany	(0.48)	1	(1)	(6)	(34)	1
India^^	6.24	1	0	1	27	8
China	2.87	2	(3)	(4)	(21)	(13)
2Y yields (Δ bps)						
US	0.22	0	2	3	7	7
UK	0.12	1	(3)	4	8	16
Japan	(0.12)	0	0	0	0	(3)
Germany	(0.75)	0	(1)	(2)	(9)	(7)
India^	4.14	1	(5)	(11)	(17)	(23)
China	1.91	(1)	(13)	(4)	(41)	(54)
Currencies (Δ %)						
EUR	1.1745	0.4	(0.3)	(0.2)	(3.9)	(0.4)
GBP	1.3719	0.7	(0.9)	(0.2)	(3.1)	5.0
JPY	109.70	0.1	(0.4)	0.8	(0.9)	(3.5)
AUD	0.7209	1.1	(1.8)	(2.1)	(7.0)	0.6
INR	74.21	0.2	0	0.3	(1.7)	0.1
CNY	6.4816	0.3	(0.1)	0	(1.0)	6.3
Equity & Other indices (Δ %)						
Dow	35,336	0.6	(0.8)	0.8	2.7	24.8
FTSE	7,109	0.3	(0.6)	1.2	0.8	16.5
DAX	15,853	0.3	(0.5)	1.2	2.7	21.3
NIKKEI	27,494	1.8	(0.1)	(0.2)	(3.1)	19.6
Shanghai Comp	3,477	1.5	(1.1)	(2.1)	(0.6)	2.7
SENSEX	55,556	0.4	0	4.9	9.7	43.2
Brent (US\$/bbl)	68.75	5.5	(1.1)	(7.2)	0.4	52.3
Gold (US\$/oz)	1,805	1.4	1.0	0.2	(4.0)	(6.4)
CRB Index	559.6	(0.1)	(0.8)	0	3.9	44.4
Rogers Agri Index	1,072.3	0.7	(2.8)	1.3	2.4	48.6
LIBOR (3M)*	0.13	0	0	0	(1)	(11)
INR 5Y Swap*	5.84	1	0	1	15	30
India FII data (US\$ mn)						
FII-Debt	20 Aug	18 Aug	WTD	MTD	CYTD	FYTD
FII-Equity	11.2	33.0	151.7	98.2	(3,155.0)	(1,127.7)
	69.5	148.4	477.3	1,088.1	7,466.3	139.9

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda
chief.economist@bankofbaroda.com