

**RESEARCH**
**BOB Economics Research | Weekly Wrap**

Global markets rally, India's activity improving

**SUMMARY**
**India Economics: Weekly Wrap**

Global yields rose as Fed Chair indicated that US Fed may start tapering asset purchases later this year. ECB suggested that impact of Delta variant is likely to be limited. Global currencies rallied. Brent rebounded by 11.5% in the week. Equity markets too saw an upmove. This week the focus will be on US jobs report and PMIs. In India, Q1FY22 GDP data will be released which will show the impact of second wave on growth. We expect GDP growth at 19.5%. Economic activity continues to see improvement with our weekly tracker now just 3% below Feb'20 baseline.

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**Daily macro indicators**

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.31	(4bps)	4bps	59bps
India 10Y yield (%)	6.26	0bps	6bps	11bps
USD/INR	73.69	0.7	0.8	(0.4)
Brent Crude (US\$/bbl)	72.70	2.3	(4.4)	61.4
Dow	35,456	0.7	1.1	23.7
Shanghai	3,522	0.6	3.2	3.5
Sensex	56,125	0.3	6.6	42.2
<b>India FII (US\$ mn)</b>	<b>26-Aug</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-D	(8.7)	1,539.8	(1,713.4)	313.8
FII-E	(304.3)	477.9	6,856.1	(470.3)

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

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## WEEKLY WRAP

30 August 2021

**Global markets rally, India's activity improving**

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**Markets**

- **Bonds:** Global yields closed higher. Germany's 10Y yield rose the most by 7bps as ECB Chief Economist downplayed the economic impact from Delta variant. US 10Y yield rose by 5bps (1.31%) supported by better new home sales data. Crude prices rose by 11.5% due to supply disruptions from Hurricane Ida. India's 10Y yield rose by 2bps (6.26%). System liquidity surplus rose to Rs 7.5tn as on 27 Aug 2021 versus Rs 6.9tn last week.
- **Currency:** Except JPY, other global currencies closed higher. After rising to a 9-month high last week, DXY fell by 0.9% as Fed Chair pushed back the possibility of rate hikes. Lower than expected US services and manufacturing PMI also impacted US\$. AUD rose by 2.5%. INR appreciated by 1% to a more than 2-month high supported by FII inflows (US\$ 831mn).
- **Equity:** Global indices ended higher with Asian markets rising the most. Shanghai Comp was up by 2.8% followed by Nikkei and Sensex. Dow too rose by 1% as Fed Chair Powell commented that timing of tapering will not signal timing of rate hikes. Rates are still expected to remain at record low. Sensex rose by 1.4% led by oil and gas, power and capital good stocks.
- **Covid-19 tracker:** Global Covid-19 cases fell to 4.6mn versus 4.7mn last week. While cases fell in Japan (0.15mn versus 0.16mn) and France (0.13mn versus 0.23mn), increase was seen in US (1.1mn versus 1mn) and Germany (64K versus 48K). In India, cases rose by 0.27mn versus 0.23mn. Our weekly economic activity tracker index (Feb'20=100) was stable at 97. UAE has fully vaccinated 74% of its population, UK at 62% and US at 51%. India is at 10%.
- **Upcoming key events:** Major events include global manufacturing and services PMIs and Q2CY21 GDP prints of France, Italy, Korea and Australia. In addition, US non-farm payrolls and factory orders are also due. In India, Q1FY22 GDP data, fiscal deficit and eight core index are due this week.



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