

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

Global markets rally, India's activity improving

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

With US payroll data missing estimates, US\$ underperformed. DXY index fell by 0.5%. Yields in advanced economies were higher led by UK where PMI data shows activity holding up. However, yield in China and India fell. In India's case yield fell on anticipation of lower borrowing led by better than expected tax collections. India's economy bounced back sharply to grow by 20.1% in Q1 on a low base of (-) 24.4% last year. After a surprise rate hike by South Korea, commentary from ECB and Australia will be keenly watched this week along with slew of global data.

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**Daily macro indicators**

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.32	4bps	15bps	60bps
India 10Y yield (%)	6.16	(1bps)	(4bps)	23bps
USD/INR	73.02	0.1	1.7	0.2
Brent Crude (US\$/bbl)	72.61	(0.6)	0.3	70.2
Dow	35,369	(0.2)	0.7	25.7
Shanghai	3,582	(0.4)	3.9	6.7
Sensex	58,130	0.5	8.0	51.5
<b>India FII (US\$ mn)</b>	<b>02-Sep</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-D	(9.7)	192.7	(1,221.2)	806.1
FII-E	182.9	270.5	7,661.0	334.7

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

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## WEEKLY WRAP

06 September 2021

**Yield convergence between AEs and EMs**

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**Markets**

- **Bonds:** Long-end yields in advanced economies rose led by UK where 10Y yield rose by 14bps (0.72%) as manufacturing PMI data showed activity remains robust. US 10Y yield rose by 2bps (1.32%) despite Fed Chair's dovish comments and lower than expected payroll additions. China's 10Y fell by 4bps (2.83%) as economic activity slowed down. India's 10Y yield fell by 10bps (6.16%) supported by news reports of lower borrowing in H2 and strong demand in auctions. System liquidity surplus rose to Rs 8.8tn as on 3 Sep 2021 (Rs 7.5tn last week).
- **Currency:** Global currencies closed higher this week. DXY fell by 0.5% as US non-farm payroll data missed expectations. AUD (2%) and INR (0.9%) gained the most. Gains in rupee were also supported by dip in international oil prices (0.1%) and FII inflows (US\$ 1.34bn)
- **Equity:** Global indices ended mixed with Asian markets closing higher and US and European markets closing in red. Dax (0.4%) and Dow (0.2%) fell the most as US jobs data disappointed and Germany's national election looms. Nikkei (5.4%) and Sensex (3.6%) rose the most. Gain in Sensex was led by realty, consumer durables and power sector stocks.
- **Covid-19 tracker:** Global Covid-19 cases rose at a moderate pace of 4.4mn versus 4.6mn last week. Fresh cases declined in Japan (0.13mn versus 0.16mn), whereas they increased in the US (1.15mn versus 1.09mn). Our weekly economic activity tracker index rose to 97 (100=Feb'20) from 96. US has now fully vaccinated 52% of its population. UK is at 63%. India: 11%.
- **Upcoming key events:** Major events this week include rate decisions by Australia, ECB and Malaysia. In addition, slew of data is awaited from China (trade, CPI, PPI), US (PPI) and Eurozone (GDP) which will tell us state of global economy. India's IIP data will also be released.



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**Note:** Recommendation structure changed with effect from 21 June 2021

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