

Key Developments:

- **The ASEAN PMI Manufacturing index fell to a 13-month low to 44.6 in July from 49.0 in June reflecting the hit to growth that has come from lockdowns that have been imposed to curtail the spread of a surge in COVID-19 infections. The sharpest sequential fall was seen in Indonesia that emerged as the epi-center of strain in July.**
- **After a two-year suspension, the US debt ceiling become operative again rising from USD 22 tn as of end-2019 to USD 28.5 tn as of June-2021. The US Congress needs to pass a resolution to either suspend the ceiling for a few more years or raise it by a substantial amount. The US Treasury has special measures that will avert a default up to October-2021.**
- **The US Senate is reported to be in a position to pass the USD 550 bn infrastructure stimulus bill sometime later in the week.**
- **The U.S. formally blamed Iran for a deadly attack on an Israel-linked oil tanker off Oman, warning of an “appropriate response.”**
- **Minneapolis Fed President Neel Kashkari said the spread of the delta variant of Covid-19 could keep some Americans from looking for work, potentially harming the U.S. recovery.**
- **Anthony Fauci, the U.S.’s top infectious- disease doctor, said Covid-19 vaccines work extremely well and that a return to the lockdowns of 2020 is unlikely despite reports of recent outbreaks among fully vaccinated people.**
- **China’s securities regulator called for talks with its American counterpart after the U.S. Securities and Exchange Commission increased disclosure requirements for initial public offerings of Chinese companies amid nearly a USD 1 trillion share selloff last week.**

Global Market Developments:

- **GE:** Q2 GDP grew by 1.5% QoQ as per preliminary estimates which is in contrast to a contraction of 2.1% QoQ in the previous quarter.
- **EC:** June unemployment rate at 7.7%, marginally lower than 8% reported in the previous month. July core CPI rose by 0.7% YoY as per preliminary estimate, marginally lower than a growth of 0.9% YoY in the previous month. Q2 GDP grew by 2% QoQ as per advance estimate which is in contrast to a contraction of 0.3% QoQ in the previous quarter.
- **US:** June PCE deflator grew by 4% YoY maintaining the same growth as previous month. June core PCE deflator grew by 3.5% YoY higher than a growth of 3.4% YoY reported in the previous month. July U. of Mich. consumer sentiment is reported at 81.2 lower than 85.5 reported in the previous month, higher than market estimate of 80.8.
- **JN:** July manufacturing PMI rose to 53.0 from 52.4 reported in the previous month.
- **CN:** July Caixin manufacturing PMI is reported at 50.3, lower than 51.3 reported in the previous month.
- **US stock markets ended lower in the previous trading session.** S&P-500 (-0.54%) and Dow Jones (-0.42%) closed in the red.
- **Asian stock markets are trading higher this morning.** Nikkei (+ 1.68%), Australia ASX-200 (+ 1.43%), Shanghai Composite Index (+ 1.50%), Hang Seng (+ 1.26%) and Kospi (+0.26%) are trading in the green.
- **US treasuries are trading flat this morning.** The 10 Year US yield is trading at 1.22% that was unchanged from the previous close.

Domestic market developments:

- **The Indian Rupee closed weaker at the 74.42 level against the US dollar in the previous trading session.**
- **The Indian bond markets closed flat with the yield on the benchmark 10-year sovereign bond closing at the 6.20% in the previous session.**
- **Eight infrastructure core industries grew by 8.9% YoY in June compared to 16.8% YoY growth reported in the previous month.**

	Remarks
DXY	The U.S. Dollar (DXY) is trading flat at 92.15 level. The dollar accelerated from its post-Fed slump reflecting a broad risk-off trading environment and as concerns about global growth prospects remains in place. Lower than expected US core PCE also worked to reduce anxiety about an inflation overshoot. The focus will be on the July ISM Manufacturing PMI that is due later today.
EUR/USD	The EUR/USD pair is trading flat in today's session at 1.1864 level. The EU Gross Domestic Product improved to 2% QoQ in the second quarter reflecting a surge in private consumption as several economies re-opened and the improvement was fairly broad-based. Going ahead, Germany will publish June Retail Sales, while the final readings of its July PMI manufacturing surveys will be eyed.
GBP/USD	The GBP/USD pair is trading 0.09% lower in today's session at 1.3889 level. The UK coronavirus situation continues to improve, underpinning the pound. Fed's dovish commentary weighed on the pair. The focus will be on the Bank of England that will have a monetary policy meeting mid-week. Markit will publish the July UK Manufacturing PMI.
USD/JPY	The USD/JPY pair is trading flat at 109.68 level reflecting the softening bias seen in the US yield curve and weak global economic indicators. We see more range trading with a downside bias in the pair.
USD/CNY	The USD/CNY pair is trading higher in today's session at 6.4682 level by 0.11% reflecting an increase in concerns about Chinese growth prospects after a slew of weak PMI readings. The People's Bank of China (PBOC) set the yuan (CNY) reference rate at 6.4660 vs the last close of 6.4620.
AUD/USD	The AUD/USD pair is trading lower in today's session at 0.7337 level by 0.1%. Iron ore prices reverted to May's lows after China continued to curb steel production as the nation attempts to reduce pollution. Moreover, the imposition of a tariff on steel exports weighed on the AUD. This week's Reserve Bank of Australia interest rate decision where the recent lockdowns will mean the RBA will revert from sounding hawkish is also a headwind.
USD/CAD	The USD/CAD pair is trading higher in today's session at 1.2490 level by 0.16%. The Canadian dollar fell against its broadly stronger U.S. counterpart on Friday but held on to much of this week's gains as oil prices rose and a preliminary estimate showed Canada's economy rebounding in June.
Indian Equities	Benchmark equity indices are likely to open lower today tracking weakness in global sentiment due to concerns over the fast-spreading Delta variant of COVID-19 and the dim economic data in China. Even as headline indices may witness a tepid start, the action is expected to be largely stock-centric.
Indian Rupee	Indian Rupee may open steady against the dollar as the greenback was steady against major currencies in early trade today; any sharp appreciation in the Rupee may be limited by persistent RBI intervention.
India G-Sec	Government bond prices may open steady as market participants may avoid placing fresh bets before the outcome of the Reserve Bank of India's Monetary Policy Committee meeting. The participants may see caution as they wait for cues on the central bank's moves for the gilt market and commentary on growth and inflation.
Oil (Brent) (USD/bbl)	Global crude oil prices are trading lower on worries over China's economy after a survey showed factory activity growing at its slowest pace in 17 months in the world's second-largest oil consumer, concern compounded by a rise in oil output from OPEC producers. China's factory activity expanded in July at the slowest pace in nearly a year and a half as higher raw material costs, equipment maintenance and extreme weather weighed on business activity, adding to concerns about a slowdown in the world's second-biggest economy. Brent crude prices are trading at USD 74.31/barrel.
Gold (USD/oz)	Gold prices are trading lower as a firmer dollar curtailed the precious metal's brief rally spurred by U.S. Federal Reserve Chair Jerome Powell's reassurance that a rate hike was not on the cards for the time being. Investors would look forward to NFP for further cues related to recovery in US job markets. Gold is trading at USD 1814.00/oz.

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