

MACRO DAILY

22 February 2021

Macro developments

- India's forex reserves declined by US\$ 250mn in the week ended 12 Feb 2021 to US\$ 583.7bn. Last week, forex reserves had declined by US\$ 6.8bn. However, despite the recent decline, forex reserves have risen by US\$ 108.1bn in FYTD21 compared with an accretion of US\$ 64.2bn in the same period last year.
- As per news reports, government and RBI are looking at ways to make cheaper resources available to Development Finance Institution (DFI). These include allowing DFI to float tax-free bonds, permitting them to issue bonds that would qualify for SLR investment by banks and the feasibility of extending a credit window by RBI. The government's initial corpus consist of Rs 200bn but it is willing to dilute its stake going forward.
- Global manufacturing activity rebounded in Feb'21 in Europe and Japan, while it slowed in the US (58.5 versus 59.2 in Jan'21). Eurozone PMI rose to 57.7 (from 54.8), and in UK to 54.9 (from 54.1). In Japan, PMI rose to 51.3 from 49.2. Across regions, new export orders and employment improved. Global services activity however remained muted (except in the US) owing to prolonged closure of businesses and rising input costs.

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Markets

- Bonds:** Except China, global yields closed higher. US 10Y yield rose by 4bps (1.34%) supported by US Treasury Secretary's comments on fiscal stimulus. Crude prices fell by 1.6% to US\$ 63/bbl as US refineries started production. India's 10Y yield rose the most by 11bps (6.14%-highest since Aug'20) led by devolvement of securities on PDs. It is trading higher at 6.19% today.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.3% amidst an improvement in risk sentiment. Better than expected US macro data and pickup in vaccine rollout boosted investors' sentiments. AUD rose the most by 1.3%. INR rose by 0.1%. It is trading further higher today, while other Asian currencies are trading lower.
- Equity:** Global indices ended mixed as investors continued to monitor vaccine rollout and comments by US Treasury Secretary. Amongst other indices, Dax (0.8%) gained the most. However, Sensex (0.8%) ended in red with auto and banking stocks losing the most. It is trading lower today while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.34	4	13	25	51	(13)
UK	0.70	8	18	41	40	13
Japan	0.11	1	4	5	10	17
Germany	(0.31)	4	12	22	28	13
India	6.14	11	15	23	26	(29)
China	3.27	(2)	2	11	(7)	41
2Y yields (Δ bps)						
US	0.10	0	0	(3)	(5)	(125)
UK	(0.01)	3	3	12	3	(53)
Japan	(0.11)	1	1	0	3	6
Germany	(0.68)	1	3	3	7	(4)
India	4.54	(9)	(4)	8	57	(115)
China	2.61	(5)	(4)	23	(32)	65
Currencies (Δ %)						
EUR	1.2119	0.2	0	(0.1)	2.2	11.7
GBP	1.4016	0.3	1.2	2.8	5.6	8.1
JPY	105.45	0.2	(0.5)	(1.5)	(1.5)	5.5
AUD	0.7869	1.3	1.4	2.3	7.8	18.7
INR	72.65	0.1	0.1	0.7	2.0	(1.4)
CNY	6.4577	0.5	0	0.3	1.6	8.1
Equity & Other indices (Δ %)						
Dow	31,494	0	0.1	1.8	7.6	8.6
FTSE	6,624	0.1	0.5	(1.3)	4.3	(10.5)
DAX	13,993	0.8	(0.4)	1.3	6.5	3.0
NIKKEI	30,018	(0.7)	1.7	4.8	17.6	28.4
Shanghai Comp	3,696	0.6	1.1	3.6	9.4	21.6
SENSEX	50,890	(0.8)	(1.3)	3.0	16.0	23.6
Brent (US\$/bbl)	62.91	(1.6)	0.8	12.5	39.9	7.5
Gold (US\$/oz)	1,784	0.5	(2.2)	(3.0)	(4.6)	8.6
CRB Index	481.1	0.6	2.3	5.3	12.7	19.5
Rogers Agri Index	960.0	0	2.0	4.4	16.0	29.6
LIBOR (3M)*	0.18	0	(1)	(4)	(2)	(150)
INR 5Y Swap*	5.93	(4)	3	41	82	(46)
India FII data (US\$ mn)						
	17 Feb	16 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(131.9)	(119.7)	(165.6)	(214.5)	(712.8)	(4,806.4)
FII-Equity	163.5	264.3	732.0	3,916.7	5,894.9	35,870.7

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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