

MACRO DAILY

07 January 2021

Macro developments

- India's services PMI eased to 52.3 in Dec'20 (53.7 in Nov'20) with growth in new business and output softening. New hiring stagnated owing to labour shortage, liquidity crunch and muted demand. Input prices remained higher while output prices were seen declining driven by higher competition. Real estate, I&C and business services contracted the most. Transport, consumer service and finance & insurance fared better.
- Services activity continued to remain subdued globally in Dec'20 due to a resurgence in Covid-19 cases and increased restrictions. In US, services PMI edged down sharply to 54.8 in Dec'20 from 58.4 in Nov'20. Japan's services PMI also dipped to 47.7 from 47.8. In the Euro Zone, it rose to 46.4 in Dec'20, below the initial estimate of 47.3, from 41.7 in Nov'20, and remained firmly in the contraction zone for the fourth straight month.
- US Fed minutes highlighted that the current pace of asset purchase (US\$ 120bn/month) would continue until it made "substantial further progress" in its policy goals. FOMC members also said that markets would get plenty of time before asset purchases were curtailed so that it can prevent a taper tantrum. On state of the economy, FOMC members remained slightly optimistic than before.

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Markets

- Bonds:** Except China, global yields closed higher supported by Democrat's victory in the US Senate election in Georgia. US 10Y yield rose by the most 8bps (1.04%-highest since Mar'20) as investors are anticipating fiscal stimulus to boost the economy. Crude prices rose by 1.3% (US\$ 54/bbl). India's 10Y yield also rose by 3bps (5.85%). It is trading at 5.86% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% on hopes of a larger fiscal stimulus as Democrats won control of the Senate. While JPY depreciated by 0.3%, AUD rose by 0.6%. INR rose by 0.1%. It is trading further higher today in line other Asian currencies.
- Equity:** Barring Sensex and Nikkei, other global indices ended higher. Democratic Senate majority and approval for Moderna's vaccine rollout in EU boosted investor sentiments. Sensex however fell by 0.5% led by tech and auto stocks. It is trading higher today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.04	8	11	7	25	(84)
UK	0.24	3	3	(11)	(6)	(57)
Japan	0.02	1	0	0	(2)	2
Germany	(0.52)	6	5	3	(3)	(31)
India	5.85	3	(2)	3	(16)	(71)
China	3.13	(1)	(0)	(17)	(2)	(1)
2Y yields (Δ bps)						
US	0.14	2	2	(1)	(1)	(144)
UK	(0.13)	1	2	(10)	(12)	(76)
Japan	(0.11)	2	1	1	1	2
Germany	(0.70)	1	0	5	(1)	(10)
India	4.12	26	23	25	(24)	(210)
China	2.42	(2)	(10)	(45)	(18)	13
Currencies (Δ %)						
EUR	1.2327	0.2	0.2	1.7	4.8	11.0
GBP	1.3608	(0.1)	(0.1)	1.2	5.3	3.9
JPY	103.04	(0.3)	0.1	1.1	2.8	5.6
AUD	0.7802	0.6	1.5	5.1	9.3	13.6
INR	73.11	0.1	0.3	0.9	0.3	(2.0)
CNY	6.4629	(0.1)	0.9	1.1	4.8	7.0
Equity & Other indices (Δ %)						
Dow	30,829	1.4	1.4	2.0	8.9	7.3
FTSE	6,842	3.5	4.4	4.5	15.1	(9.7)
DAX	13,892	1.8	1.3	4.5	7.5	4.3
NIKKEI	27,056	(0.4)	(1.4)	1.1	15.5	16.6
Shanghai Comp	3,551	0.6	4.0	3.1	10.3	15.8
SENSEX	48,174	(0.5)	0.9	6.9	20.8	18.0
Brent (US\$/bbl)	54.30	1.3	5.8	10.3	29.3	(17.0)
Gold (US\$/oz)	1,919	(1.6)	1.3	4.3	1.7	23.3
CRB Index	447.9	(0.1)	1.0	4.8	10.2	11.5
Rogers Agri Index	901.6	0.2	2.4	10.2	17.4	19.5
LIBOR (3M)*	0.24	0	(0)	1	1	(160)
INR 5Y Swap*	5.41	8	9	23	5	(136)
India FII data (US\$ mn)						
	5 Jan	4 Jan	WTD	MTD	CYTD21	FYTD
FII-Debt	25.8	141.9	167.7	160.7	160.7	(3,932.9)
FII-Equity	(26.4)	377.8	351.4	513.0	513.0	30,488.8

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

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