

MACRO DAILY

10 February 2021

Macro developments

- As per IEA report, India will overtake EU as the world's third largest energy consumer by CY30. India's oil demand will rise by 74% to 8.7mbpd by CY40. Its share in the growth of renewable energy will be the second largest in the world, after China. The above assumption is based on GDP expanding to US\$ 8.6tn by CY40.
- Germany's exports rose by 0.1% in Dec'20 (MoM), lower compared with an increase of 2.3% in Nov'20. However, it was better than estimate of a 0.6% decline. Imports on the other hand declined by 0.1% versus 5.4% increase in Nov'20. Trade surplus expanded to € 16.1bn. In CY20, both exports and imports registered their steepest decline since CY09 at 9.3% and 7.1%, respectively.
- China's PPI rose by 0.3% in Jan'21 (highest since Jan'20) following 0.4% decline in Dec'20. This was led by increase in prices of crude oil and iron ore which pushed prices in ferrous metal smelting and processing industry higher by 10%. On the other hand, CPI fell by 0.3% in Jan'21 versus 0.2% increase in Dec'20, owing to higher base and drop in prices of services. Food prices remained elevated with 1.6% rise in Jan'21 (1.2% in Dec'20).

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (1.16%) ahead of Fed Chair's speech. Crude prices rose by 0.9% (US\$ 61/bbl) due to drawdown in US inventory. India's 10Y yield rose by 3bps (6.07%) as investor sentiments were impacted by Centre's announcement of a special auction of Rs 220bn over and above the Rs 260bn weekly debt sale. It is trading at 6.06% today.
- Currency:** Global currencies closed higher. DXY fell by 0.5% amidst concerns over US economic recovery. EUR rose by 0.6% as Germany's exports rose more than expected in Dec'20. INR appreciated by 0.1%. It is trading further higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as global rally cooled off and investors continued to monitor the vaccine rollout. Dow and Sensex ended flat, while Shanghai Comp gained by 2%. Domestic index's winning streak came to a halt led by subdued global cues. It is trading further lower today, while 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	1.16	(1)	6	4	20	(44)
UK	0.46	(1)	11	18	6	(11)
Japan	0.07	0	2	4	3	13
Germany	(0.45)	0	4	7	4	(6)
India	6.07	3	(6)	19	15	(40)
China	3.24	(1)	5	9	1	40
2Y yields (Δ bps)						
US	0.12	0	0	(2)	(7)	(131)
UK	(0.03)	1	6	10	(3)	(53)
Japan	(0.11)	0	0	1	1	5
Germany	(0.71)	0	1	(1)	0	(8)
India	4.64	1	(6)	47	49	(115)
China	2.69	1	7	40	(8)	46
Currencies (Δ %)						
EUR	1.2119	0.6	0.6	(0.8)	2.6	11.0
GBP	1.3817	0.6	1.1	1.8	4.1	6.7
JPY	104.59	0.6	0.4	(0.6)	0.7	4.7
AUD	0.7739	0.5	1.7	(0.2)	6.2	15.3
INR	72.88	0.1	0.1	0.5	1.8	(2.2)
CNY	6.4353	0.2	0.3	0.6	2.7	7.6
Equity & Other indices (Δ %)						
Dow	31,376	0	2.2	0.9	6.6	7.2
FTSE	6,532	0.1	0.2	(5.0)	3.7	(12.9)
DAX	14,012	(0.3)	1.3	(0.3)	6.4	2.8
NIKKEI	29,506	0.4	4.0	4.9	18.5	24.6
Shanghai Comp	3,603	2.0	2.0	0.9	7.2	24.2
SENSEX	51,329	0	3.1	5.2	18.6	24.5
Brent (US\$/bbl)	61.09	0.9	6.3	9.1	40.1	13.1
Gold (US\$/oz)	1,838	0.4	0	(0.6)	(2.1)	17.2
CRB Index	467.0	0.7	1.3	4.0	12.0	15.9
Rogers Agri Index	947.1	0.3	2.9	5.5	16.0	28.5
LIBOR (3M)*	0.20	0	0	(3)	(2)	(151)
INR 5Y Swap*	5.96	10	30	53	82	(52)
India FII data (US\$ mn)						
	8 Feb	5Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(21.8)	(75.6)	(21.8)	(42.7)	(541.0)	(4,634.6)
FII-Equity	298.2	193.7	298.2	2,566.5	4,544.8	34,520.5

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

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