

MACRO DAILY

10 March 2021

Macro developments

- OECD has revised India's growth forecast for FY22 higher to 12.6% from 7.9% estimated earlier and a contraction of 7.4% in FY21. Growth in FY22 will be supported by fiscal measures announced by the government. In FY23, GDP growth is pegged at 5.4% compared with 4.8% estimated earlier. Global growth estimates have also been revised upwards to 5.6% in CY21 (from 4.2% earlier) and 4% in CY22 (from 3.7% earlier).
- Euro Area's GDP contracted more than anticipated by 4.9% in Q4CY20 from a decline of 4.2% in Q3CY20. This was on the back of sharp contraction in both household final consumption expenditure (7.6% decline versus 4.6% fall) and investment demand (8.7% decline versus 4.6% fall). Separately, employment growth slowed down to 0.3% in Q4CY20 from 1% on QoQ basis led by Covid-19 restrictions.
- China's CPI print improved slightly from a decline of 0.3% in Jan'21 to a decline of 0.2% in Feb'21, on YoY basis (est.: 0.3% decline). Core CPI remained flat against decline of 0.3% in Jan'21. PPI rose considerably to a 15-month high of 1.7% (est.: 1.4%) from 0.3% in Jan'21. Going forward, rising energy prices and unfavourable base in pork price will pose upside risk to inflation.

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Markets

- **Bonds:** Except Japan and China (stable), global yields closed lower. US 10Y yield fell the most by 6bps (1.53%) as US Treasury Department held an US\$ 58bn 3-year note sale, drawing strong demand. Crude prices fell by 1.1% (US\$ 68/bbl) ahead of US inventory data. Thus, India's 10Y yield fell by 1bps (6.21%). It is trading at 6.20% today.
- **Currency:** Global currencies closed higher. After rising for 4 consecutive sessions, DXY fell by 0.4% as US 10Y yield edged down. AUD rose the most by 0.8%. INR appreciated by 0.4% as oil prices eased. However, it is trading lower today, while other Asian currencies are trading mixed.
- **Equity:** Barring Shanghai Comp, other global indices ended higher as investors continued to monitor US stimulus and global yields. Amongst other indices, Sensex (1.2%) surged the most led by gains in banking stocks. This was followed by Nikkei (1%) and Dax (0.4%). Sensex is trading higher today, while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.53	(6)	13	36	61	72
UK	0.73	(3)	4	25	47	49
Japan	0.13	0	0	7	11	18
Germany	(0.30)	(2)	5	15	31	49
India	6.21	(1)	(3)	14	35	14
China	3.25	0	(1)	3	(3)	63
2Y yields (Δ bps)						
US	0.16	0	4	6	1	(37)
UK	0.08	(1)	4	11	17	(8)
Japan	(0.12)	0	0	0	0	13
Germany	(0.68)	0	1	3	9	28
India	4.87	3	21	24	93	(42)
China	2.58	0	2	(12)	(27)	62
Currencies (Δ %)						
EUR	1.1901	0.5	(1.6)	(1.2)	(1.7)	5.5
GBP	1.3892	0.5	(0.5)	1.1	4.0	7.6
JPY	108.48	0.4	(1.7)	(2.9)	(4.1)	(2.7)
AUD	0.7714	0.8	(1.4)	0.5	4.1	18.6
INR	72.93	0.4	0.6	0	0.8	1.6
CNY	6.5065	0.3	(0.6)	(0.6)	0.4	6.5
Equity & Other indices (Δ %)						
Dow	31,833	0.1	1.4	2.2	5.5	27.2
FTSE	6,730	0.2	1.8	3.7	2.6	12.9
DAX	14,438	0.4	2.8	2.7	8.7	37.8
NIKKEI	29,028	1.0	(1.3)	0.9	9.7	46.1
Shanghai Comp	3,359	(1.8)	(4.3)	(3.9)	(1.5)	12.1
SENSEX	51,025	1.2	1.4	0.6	11.9	43.2
Brent (US\$/bbl)	67.52	(1.1)	7.7	13.8	38.2	81.4
Gold (US\$/oz)	1,716	1.9	(1.3)	(5.4)	(8.3)	4.0
CRB Index	491.4	(0.2)	0.2	6.5	13.5	24.1
Rogers Agri Index	969.8	0	(0.4)	4.0	19.1	39.8
LIBOR (3M)*	0.18	0	0	(1)	(5)	(60)
INR 5Y Swap*	6.02	2	18	24	81	33
India FII data (US\$ mn)						
	8 Mar	5 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(172.1)	(117.8)	(172.1)	(937.1)	(2,421.3)	(6,514.9)
FII-Equity	(164.7)	(246.9)	(164.7)	585.3	5,579.1	35,554.9

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

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