

MACRO DAILY

11 February 2021

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 16.2bn and stood at Rs 28.2tn for the week ending 05 Feb 2021. Reserve money rose by 14.9% on a YoY basis, compared with 11.5% a year ago. On FYTD basis, reserve money increased by 11.7% as against 6.3% a year ago.
- US CPI rose by 0.3% (MoM) in Jan'21 versus 0.2% rise in Dec'20, led by higher energy prices which rose by 3.5% from 2.6% in Dec'20. Core inflation remained flat (0%) in Jan'21 (est.: 0.2% rise). Within core, prices of new and used vehicles fell, while that of apparels and medical services rose. Prices of transportation services fell less sharply in Jan'21.
- Industrial production in France fell by 0.8% (MoM) in Dec'20, versus 0.7% drop in Nov'20 and est.: 0.2% increase. The decline was driven by manufacturing sector (1.7% decline in Dec'20 versus 0.7% increase in Nov'20). Within manufacturing, production of coke and refined petroleum products (down 30.5%) and machinery and equipment goods (down 3.5%) fell the most. Compared with Feb'20, manufacturing output fell by 5.7%.

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Markets

- **Bonds:** Except US and India, global yields closed higher. US 10Y yield fell by 3bps (1.12%) due to tepid core CPI print and Fed Chair's comment on "patiently accommodative" policy. Crude prices rose by 0.6% (US\$ 61/bbl) supported by production cut. India's 10Y yield fell by 6bps (6.01%) as RBI had set a higher than expected cut off price in the OMO purchase auction. It is trading flat today.
- **Currency:** DXY fell for the 4th consecutive session and dipped by 0.1% as US core CPI rose less than expected in Jan'21. Fed Chairman reiterated that rates are likely to remain at current levels for a long time which also weighed on DXY. INR, JPY and EUR closed flat. INR is trading higher today in line with other Asian currencies.
- **Equity:** Global indices ended mixed as investors continued to monitor vaccine rollout globally. European indices ended in red as Germany extended lockdown and earnings remained in focus. Domestic index ended flat. It is trading higher today, while most of the Asian markets are broadly shut today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.12	(3)	(1)	1	15	(51)
UK	0.49	3	12	20	8	(12)
Japan	0.08	1	3	5	4	12
Germany	(0.44)	1	3	8	7	(6)
India	6.01	(6)	(7)	14	10	(47)
China	3.24	1	3	9	(1)	41
2Y yields (Δ bps)						
US	0.11	(1)	(1)	(3)	(7)	(134)
UK	(0.03)	0	5	10	(3)	(56)
Japan	(0.11)	0	0	1	1	4
Germany	(0.71)	0	0	(1)	0	(8)
India	4.64	0	5	47	49	(113)
China	2.65	(3)	(2)	36	(13)	42
Currencies (Δ %)						
EUR	1.2118	0	0.7	(0.8)	2.9	11.4
GBP	1.3834	0.1	1.4	2.0	4.6	6.7
JPY	104.59	0	0.4	(0.6)	0.8	5.0
AUD	0.7722	(0.2)	1.4	(0.5)	6.1	14.6
INR	72.85	0	0.2	0.5	2.1	(2.1)
CNY	6.4583	(0.4)	0.1	0.3	2.6	7.4
Equity & Other indices (Δ %)						
Dow	31,438	0.2	2.3	1.1	6.9	6.4
FTSE	6,524	(0.1)	0.3	(5.1)	2.2	(13.4)
DAX	13,933	(0.6)	0	(0.8)	5.4	1.3
NIKKEI	29,563	0.2	3.2	5.1	16.6	23.9
Shanghai Comp	3,655	1.4	3.9	2.4	9.4	24.9
SENSEX	51,309	0	2.1	5.2	17.7	23.4
Brent (US\$/bbl)	61.47	0.6	5.1	9.8	40.3	10.2
Gold (US\$/oz)	1,843	0.2	0.5	(0.3)	(1.2)	17.7
CRB Index	467.2	0	0.9	4.0	12.1	16.2
Rogers Agri Index	932.7	(1.5)	0.9	3.9	14.4	26.0
LIBOR (3M)*	0.20	1	1	(2)	(2)	(150)
INR 5Y Swap*	5.94	(2)	22	51	82	(59)
India FII data (US\$ mn)						
	9 Feb	8 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	11.8	(21.8)	(10.0)	(30.9)	(529.2)	(4,622.8)
FII-Equity	453.8	298.2	751.9	3,020.3	4,998.5	34,974.3

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

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