

MACRO DAILY

12 January 2021

Macro developments

- RBI's FSR noted increase in GNPA of SCBs to 13.5% in base case and 14.8% under severe stress. However, it does point out that SCBs are in much better position with CRAR of 15.6% (from 14.7% as of Mar'20) and PCR of 72.4% (from 66.2%). SMA2 for large corporates shows increase of 5.5% from Sep'20, indicating higher stress.
- India's exports have risen at a robust pace of 16.2% (YoY) in the first week of Jan'21, compared with a marginal dip of 0.8% in Dec'20 as per PE. This was led by engineering goods at 51.8%, oil exports at 17.3% and pharma exports at 14.4%. Imports on the other hand rose by only 1.1% compared with 7.6% increase in Dec'20. In FYTD21 (Apr-Dec'20), exports have fallen by 15.5% while imports have fallen by 27.9%.
- Japan's current account surplus in Nov'20 eased to ¥1.88tn from ¥2.15tn in Oct'20. The easing was mainly on account of dip in goods trade surplus which fell to ¥0.61tn from ¥0.97tn. On the other hand, services trade deficit narrowed to ¥0.18tn from ¥0.38tn. In view of travel restrictions due to Covid-19, travel balance (indicator of tourist spending in Japan) fell by 88% YoY to surplus of only ¥27.6bn.

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Markets

- **Bonds:** Except Japan (stable), global yields closed higher. US 10Y yield rose by 3bps (1.15%) as investors are expecting more fiscal stimulus. Crude prices fell by 0.6% (US\$ 56/bbl) amidst renewed lockdown restrictions in UK, Europe and China. India's 10Y yield rose by 4bps (5.92%) following RBI's announcement of reverse repo auction. It is trading flat today.
- **Currency:** Global currencies closed lower. DXY rose by 0.4% on hopes of further US stimulus and rising yields. AUD fell the most by 0.8% even as Australia's retail sales picked up sharply by 7.1% in Nov'20. INR depreciated by 0.2%. It is trading further lower today while other Asian currencies are trading mixed.
- **Equity:** Barring Sensex, other global indices ended lower amidst concerns over rising Covid-19 cases. FTSE (1.1%) fell the most. Dow receded from its historic high and closed 0.3% lower amidst rising US yields. Sensex on the other hand, rose by 1% led by auto and tech stocks. It is however trading lower today, while other Asian markets are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.15	3	23	25	37	(70)
UK	0.31	2	14	14	4	(44)
Japan	0.04	0	1	2	0	4
Germany	(0.50)	2	11	14	5	(34)
India	5.92	4	9	2	2	(68)
China	3.17	2	(1)	(15)	(1)	7
2Y yields (Δ bps)						
US	0.14	1	3	3	(1)	(144)
UK	(0.12)	1	4	(1)	(9)	(60)
Japan	(0.12)	0	0	2	1	2
Germany	(0.70)	0	2	8	3	(11)
India	4.17	0	30	25	(10)	(201)
China	2.24	(4)	(23)	(59)	(37)	(4)
Currencies (Δ %)						
EUR	1.2151	(0.5)	(0.8)	0.3	2.9	9.1
GBP	1.3518	(0.4)	(0.4)	2.2	3.5	4.1
JPY	104.26	(0.3)	(1.1)	(0.2)	1.0	5.2
AUD	0.7697	(0.8)	0.4	2.2	6.8	11.5
INR	73.39	(0.2)	(0.5)	0.4	(0.2)	(3.6)
CNY	6.4814	(0.1)	(0.3)	1.0	3.9	6.0
Equity & Other indices (Δ %)						
Dow	31,009	(0.3)	2.6	3.2	7.5	7.3
FTSE	6,798	(1.1)	3.4	3.8	13.3	(10.8)
DAX	13,937	(0.8)	1.5	6.3	6.1	3.6
NIKKEI	28,139	2.4	3.2	5.6	19.4	18.0
Shanghai Comp	3,531	(1.1)	0.8	5.5	5.2	13.3
SENSEX	49,269	1.0	2.3	6.9	21.4	17.7
Brent (US\$/bbl)	55.66	(0.6)	8.9	11.4	33.4	(13.3)
Gold (US\$/oz)	1,844	(0.3)	(5.1)	0.2	(4.1)	19.1
CRB Index	450.7	0.4	1.0	3.4	9.9	10.7
Rogers Agri Index	894.7	(0.4)	0.9	7.7	17.0	17.5
LIBOR (3M)*	0.22	0	(1)	1	0	(161)
INR 5Y Swap*	5.50	7	16	27	19	(130)
India FII data (US\$ mn)						
	8 Jan	7 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	22.4	(145.3)	35.8	28.8	28.8	(4,064.8)
FII-Equity	819.7	109.7	1,233.7	1,395.3	1,395.3	31,371.0

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Nikkei was closed on 11.01.2021

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