

## MACRO DAILY

15 February 2021

### Macro developments

- As per news reports, government may soon announce more schemes focussing on agriculture and its infrastructure development. This will be financed through the special cess, which is expected to generate Rs 300-350bn. It could also cover areas such as construction of warehouses and food processing facilities. It was also stated that out of an estimated 140bn beneficiaries, 105mn have received income support under PM Kisan.
- UK's GDP growth rose by 1% in Q4CY20 following 16.1% increase in Q3. Support was provided by positive, albeit slowing growth of GFCF (2.1% versus 20.3% in Q3). Household spending growth contracted (0.2% versus 19.3% increase). Services activity rose by 0.6% versus 14.7% increase. Accommodation, food, wholesale trade and repair services fell the most. In CY20, GDP fell by 9.9% versus 1.4% increase in CY19.
- Japan's Q4CY20 GDP rose by 12.7% (est.: 9.4%) compared with 22.9% increase in Q3. This was due to an 8.1% increase in domestic demand and 52.3% increase in exports. Private consumption rose by 8.9% owing to government policies such as employment protection subsidies and cash handouts. Private non-residential investment too remained buoyant (19.4%). Overall in CY20, GDP contracted by 4.8% (est.: 5.3% drop).

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### Markets

- Bonds:** Except Japan, global yields closed higher. US 10Y yield rose by 4bps (1.21%-highest since Feb'20) as US Treasury Chief urged G-7 finance leaders for additional fiscal stimulus. Crude prices also rose by 2.1% to US\$ 62/bbl. India's 10Y yield rose by 3bps (5.99%), taking global cues. It is trading flat today.
- Currency:** Global currencies closed mixed. DXY rose by 0.1%. GBP rose by 0.2% supported by higher than estimated Q4CY20 GDP data. JPY and EUR depreciated by 0.2% and 0.1% respectively. INR rose by 0.1%. It is trading further higher today, in line with other Asian currencies.
- Equity:** Barring Nikkei and Sensex, other global indices ended higher. FTSE (0.9%) gained the most on the back of better than expected GDP data print. Both Dax and Dow ended higher by 0.1% each. Sensex ended flat. However, it is trading higher today, while major Asian markets remained closed for Lunar New year holiday.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.21	4	4	8	31	(38)
UK	0.52	5	4	23	18	(11)
Japan	0.07	(2)	1	3	4	10
Germany	(0.43)	3	2	12	12	(3)
India	5.99	3	(8)	10	11	(38)
China	3.24	1	2	13	(3)	38
<b>2Y yields (Δ bps)</b>						
US	0.11	0	1	(3)	(7)	(132)
UK	(0.04)	0	(1)	8	(1)	(58)
Japan	(0.12)	(1)	0	(1)	1	2
Germany	(0.71)	1	0	2	2	(5)
India	4.58	4	(5)	15	48	(113)
China	2.65	(3)	(5)	38	(17)	35
<b>Currencies (Δ %)</b>						
EUR	1.2120	(0.1)	0.6	(0.3)	2.4	11.9
GBP	1.3849	0.2	0.8	1.2	5.0	6.1
JPY	104.94	(0.2)	0.4	(1.1)	(0.3)	4.4
AUD	0.7761	0.1	1.1	(0.2)	6.8	15.6
INR	72.76	0.1	0.2	0.4	2.5	(1.9)
CNY	6.4583	(0.4)	0.1	0.3	2.2	7.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	31,458	0.1	1.0	1.5	6.7	7.0
FTSE	6,590	0.9	1.5	(3.1)	4.3	(11.1)
DAX	14,050	0.1	0	0.4	7.4	2.2
NIKKEI	29,520	(0.1)	2.6	2.9	16.3	24.6
Shanghai Comp	3,655	1.4	3.9	2.5	10.4	25.3
SENSEX	51,544	0	1.6	4.0	18.6	24.9
Brent (US\$/bbl)	62.43	2.1	5.2	10.7	45.9	8.9
Gold (US\$/oz)	1,824	(0.1)	0.6	(1.2)	(3.4)	15.2
CRB Index	470.1	0.7	1.9	3.2	13.1	17.2
Rogers Agri Index	941.3	0.3	1.0	1.6	15.8	27.8
LIBOR (3M)*	0.19	0	0	(3)	(3)	(150)
INR 5Y Swap*	5.90	(4)	12	31	77	(48)
<b>India FII data (US\$ mn)</b>						
	<b>11 Feb</b>	<b>10 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(18.8)	(36.0)	(64.8)	(85.7)	(584.0)	(4,677.6)
FII-Equity	140.7	258.7	1,151.3	3,419.6	5,397.8	35,373.6

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

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