

MACRO DAILY

15 March 2021

Macro developments

- India's forex reserves declined to US\$ 580.3bn in the week ended 5 Mar 2021. On a weekly basis, forex reserves declined by US\$ 4.3bn compared with an increase of US\$ 0.7bn last week. In FYTD21, forex reserves have increased by US\$ 104.7bn versus an accretion of US\$ 75.3bn in the same period last year. Despite the decline, India has the 4th largest forex reserves in the world after China, Japan and Switzerland.
- CPI inflation in Germany edged up to 1.3% in Feb'21 on a YoY basis, from 1% in Jan'21. Prices of goods rose by 1% in Feb'21. Energy prices rose by 0.3% versus decline of 2.3% in Jan'21 on the back of an increase in crude prices and the levy of a new CO2 charge since Jan'21. Excluding energy, CPI inflation rose by 1.4% in Feb'21.
- Industrial production in China rose sharply by 35.1% in Jan-Feb'21 (est.: 32.2%) and 7.3% in Dec'20 amidst a revival in global demand. Retail sales also accelerated to 33.8% in Jan-Feb'21 (est.: 32%) and 4.6% in Dec'20. Fixed asset investment jumped by 35% in Jan-Feb'21 (est.: 40.9%) compared with a decline of 24.5% in the same period last year. While a part of the increase can be attributed to base effect, underlying growth momentum continues to remain strong.

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Markets

- Bonds:** Except India, global yields closed higher. Both UK and US 10Y yield rose by 9bps each supported by investor's expectation of an upward revision of GDP forecast by US Fed and also less than expected contraction in UK GDP. Crude prices fell by 0.6% (US\$ 69/bbl). India's 10Y yield fell by 1bps (6.23%). It is trading higher at 6.24% today, due to elevated CPI print.
- Currency:** Barring INR, other currencies closed lower. After falling for 3-straight sessions, DXY rose by 0.3% as US 10Y yield inched up. GBP and JPY fell by 0.5% each. INR appreciated by 0.2% as oil prices eased. It is trading further higher today, while other Asian currencies are trading mixed.
- Equity:** Except Dax and Sensex, global indices ended higher as investor sentiments were boosted by US fiscal stimulus and ECB's increased bond buying program to support the economy. Dow and FTSE rose by 0.9% and 0.4% respectively. Sensex fell by 1% led by auto and banking stocks. It is trading further lower today, while Asian markets are mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.62	9	6	46	73	82
UK	0.82	9	7	35	65	56
Japan	0.12	2	3	4	11	18
Germany	(0.31)	3	0	15	33	44
India	6.23	(1)	0	27	33	0
China	3.26	1	1	2	(5)	63
2Y yields (Δ bps)						
US	0.15	1	1	4	3	(33)
UK	0.10	2	0	13	21	(10)
Japan	(0.13)	(2)	0	(2)	1	10
Germany	(0.69)	0	0	3	10	25
India	4.94	4	10	30	102	(48)
China	2.57	(1)	1	(8)	(26)	64
Currencies (Δ %)						
EUR	1.1953	(0.3)	0.3	(1.5)	(1.3)	6.9
GBP	1.3924	(0.5)	0.6	0.8	5.3	10.8
JPY	109.03	(0.5)	(0.7)	(4.1)	(4.8)	(4.2)
AUD	0.7764	(0.3)	1.0	0.2	3.1	24.5
INR	72.79	0.2	0.3	0.1	1.2	1.9
CNY	6.5085	(0.2)	(0.2)	(0.8)	0.6	7.4
Equity & Other indices (Δ %)						
Dow	32,779	0.9	4.1	4.3	9.1	54.6
FTSE	6,761	0.4	2.0	3.6	3.3	29.1
DAX	14,502	(0.5)	4.2	3.3	10.6	58.3
NIKKEI	29,718	1.7	3.0	0.5	11.5	60.1
Shanghai Comp	3,453	0.5	(1.4)	(5.5)	3.2	18.1
SENSEX	50,792	(1.0)	0.8	(1.4)	10.2	55.0
Brent (US\$/bbl)	69.22	(0.6)	(0.2)	13.2	38.5	108.4
Gold (US\$/oz)	1,727	0.3	1.6	(5.4)	(6.1)	9.6
CRB Index	496.5	(0.5)	1.0	6.3	13.9	25.4
Rogers Agri Index	967.9	(0.3)	(0.1)	3.1	16.5	43.8
LIBOR (3M)*	0.19	1	0	(1)	(3)	(55)
INR 5Y Swap*	5.91	(9)	(8)	(4)	68	30
India FII data (US\$ mn)						
	10 Mar	9 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(65.2)	(176.3)	(413.6)	(1,178.6)	(2,662.8)	(6,756.4)
FII-Equity	92.9	365.3	293.5	1,043.5	6,037.3	36,013.1

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

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