

MACRO DAILY

16 March 2021

Macro developments

- India's trade deficit narrowed to US\$ 12.6bn in Feb'21 from US\$ 14.5bn in Jan'21. Exports rose by 0.7% versus increase of 6.2% in Jan'21 as non-oil exports decelerated to 3.5% from 11.5%. Imports picked up to 7% from 2% in Jan'21 as oil imports contracted at a slower pace. Trade deficit is likely to inch up in FY22 on the back of higher oil prices and normalization of domestic economic activity. However, higher remittances and foreign inflows should support INR.
- As per AMFI data, AUM under MFs rose to Rs 31.6tn in Feb'21 from Rs 30.5tn in the previous month. Net inflows rose to Rs 41bn versus outflows of Rs 356bn in Jan'21. This was led by debt inflows of Rs 14bn compared with Rs 335bn outflows in Jan'21. Equity outflows also moderated to Rs 70bn as against outflows of Rs 124bn in Jan'21.
- RBA's policy minutes highlighted that domestic recovery has been faster than expected but uncertainty still persists. Thus, MPC members hinted at significant monetary support to fulfil the central bank's dual policy goal. On employment front, members noted that there has been substantial improvement in the labour market scenario. However, the end of the Jobkeeper program might have an impact in the near-term.

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Markets

- Bonds:** Except China, global yields closed lower eyeing major central banks' policy meeting. Germany's 10Y yield fell by 3bps, followed by US and UK (2bps drop each). Crude prices fell by 0.5% (US\$ 69/bbl) as supply glut remains and demand is still muted. India's 10Y yield fell by 3bps (6.20%) ahead of OMO auction. It is trading at 6.19% today.
- Currency:** Barring INR and CNY, other global currencies closed lower. DXY rose by 0.2% ahead of the Fed meeting. CNY rose by 0.1% as China's industrial production and retail sales surprised positively. INR rose by 0.4% to a more than 2-week high as oil prices eased. It is trading further higher today, in line with other Asian currencies.
- Equity:** Except Dow and Nikkei, global indices ended lower as investors await Fed policy decision. European indices ended lower amidst concerns over vaccination. Sensex fell by 0.8% led by capital goods and banking stocks. However it is trading higher today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.61	(2)	1	40	71	89
UK	0.80	(2)	4	28	58	36
Japan	0.11	(1)	(1)	4	10	9
Germany	(0.33)	(3)	(6)	9	29	13
India	6.20	(3)	(2)	21	31	(1)
China	3.27	1	3	3	(3)	60
2Y yields (Δ bps)						
US	0.15	0	(1)	4	4	(21)
UK	0.10	0	0	13	19	(17)
Japan	(0.14)	(1)	(3)	(2)	(1)	3
Germany	(0.69)	(1)	(1)	1	8	19
India	4.93	(1)	6	35	102	(48)
China	2.59	1	1	(6)	(24)	66
Currencies (Δ %)						
EUR	1.1929	(0.2)	0.7	(1.6)	(1.8)	6.7
GBP	1.3900	(0.2)	0.5	0.4	4.3	13.3
JPY	109.13	(0.1)	(0.2)	(4.0)	(4.9)	(3.1)
AUD	0.7755	(0.1)	1.4	(0.1)	2.9	26.8
INR	72.48	0.4	1.1	0.4	1.5	2.4
CNY	6.5001	0.1	0.4	(0.6)	0.8	7.1
Equity & Other indices (Δ %)						
Dow	32,953	0.5	3.6	4.8	10.4	63.2
FTSE	6,750	(0.2)	0.5	2.4	3.3	31.0
DAX	14,461	(0.3)	0.6	2.9	9.4	65.4
NIKKEI	29,767	0.2	3.6	0.8	11.4	75.1
Shanghai Comp	3,420	(1.0)	0	(6.4)	1.5	22.6
SENSEX	50,395	(0.8)	(0.1)	(2.2)	9.0	60.5
Brent (US\$/bbl)	68.88	(0.5)	0.9	10.3	37.0	129.2
Gold (US\$/oz)	1,732	0.3	2.9	(5.1)	(5.2)	14.4
CRB Index	496.5	(0.5)	0.8	5.6	13.9	30.4
Rogers Agri Index	970.2	0.2	0	3.1	16.9	48.8
LIBOR (3M)*	0.19	1	1	(0)	(3)	(70)
INR 5Y Swap*	5.96	5	(4)	6	72	31
India FII data (US\$ mn)						
	12 Mar	10 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(75.4)	(65.2)	(489.0)	(1,254.0)	(2,738.2)	(6,831.8)
FII-Equity	535.4	92.9	828.9	1,578.9	6,572.7	36,548.4

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

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