

MACRO DAILY

17 February 2021

Macro developments

- As per news reports, the additional cess of Rs 13-16/ltr imposed on auto fuels from Mar'20 onwards is likely to earn the exchequer around Rs 1.9tn (over FY20) compared with Rs 1.2tn estimated in FY21RE. This is on the back of increase in base prices of petrol and diesel (up by 13.1% and 14.6% respectively on a MoM basis as on 16 Feb 2021). As per FY21RE, revenue from Union Excise Duties has been pegged at Rs 3.6tn (Rs 2.7tn in FY20) and for FY22, it is expected at Rs 3.4tn.
- Germany's ZEW economic sentiment index rose to 71.2 in Feb'21 from 61.8 in Jan'21. The financial market sentiment index rose by 11.3 points to 69.6 in Feb'21, as long term expectations improved led by banks, automobile and consumer good sectors. However, current situation index worsened further as it dipped to (-) 67.2 from (-) 66.4 in Jan'21.
- Japan's export growth accelerated to 6.4% in Jan'21 from 2.2% in Dec'20. This was led by 37.5% jump in exports to China (biggest gain since Apr'10), with plastics and non-ferrous metals and chip-making equipment clocking the maximum gain. Imports continued to contract, albeit at a slower pace (9.5% in Jan'21 from 11.6%). Separately, core machine orders rose for the 3rd straight month (5.2% in Dec'20 versus est.; contraction of 6.1%).

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose the most by 11bps (1.31%-highest since Feb'20) as approval of fiscal stimulus raised hopes of economic recovery and further rise in inflation. Crude prices also rose by 0.1% at US\$ 63/bbl. India's 10Y yield closed flat at 6.02% eyeing FM's meeting with RBI. It is trading higher at 6.04% today.
- Currency:** Except INR and GBP which closed flat, other global currencies closed lower against the dollar. DXY rose marginally amidst a sharp jump in US 10Y yield. JPY depreciated by 0.6% as risk-sentiment improved. INR is trading lower today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors continued to monitor developments surrounding vaccine rollout. While Dax fell by 0.3%, Nikkei continued its bull-run and rose by 1.3%. Sensex fell by 0.1% and was dragged down by tech and consumer durable stocks. It is trading lower today, while other Asian indices are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.31 | 11 | 16 | 23 | 46 | (25) |
| UK | 0.62 | 5 | 16 | 33 | 30 | 1 |
| Japan | 0.09 | 0 | 1 | 4 | 6 | 15 |
| Germany | (0.35) | 3 | 10 | 20 | 22 | 6 |
| India | 6.02 | 0 | (5) | 7 | 14 | (37) |
| China | 3.24 | 1 | 1 | 9 | (4) | 36 |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.12 | 1 | 0 | (1) | (5) | (129) |
| UK | (0.04) | 0 | (1) | 10 | 0 | (57) |
| Japan | (0.11) | 1 | 0 | 0 | 2 | 4 |
| Germany | (0.69) | 1 | 2 | 3 | 3 | (4) |
| India | 4.56 | (3) | (8) | 8 | 48 | (114) |
| China | 2.65 | (3) | (3) | 37 | (20) | 42 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.2106 | (0.2) | (0.1) | 0.2 | 2.1 | 12.2 |
| GBP | 1.3903 | 0 | 0.6 | 2.3 | 5.0 | 7.0 |
| JPY | 106.04 | (0.6) | (1.4) | (2.1) | (1.8) | 3.5 |
| AUD | 0.7758 | (0.3) | 0.2 | 0.7 | 6.3 | 16.0 |
| INR | 72.70 | 0 | 0.2 | 0.5 | 2.4 | (1.6) |
| CNY | 6.4583 | (0.4) | (0.4) | 0.3 | 1.5 | 7.7 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 31,523 | 0.2 | 0.5 | 2.3 | 5.8 | 7.8 |
| FTSE | 6,749 | (0.1) | 3.3 | 0.2 | 6.0 | (8.6) |
| DAX | 14,065 | (0.3) | 0.4 | 2.0 | 7.1 | 2.8 |
| NIKKEI | 30,468 | 1.3 | 3.3 | 6.8 | 17.1 | 31.4 |
| Shanghai Comp | 3,655 | 1.4 | 1.4 | 2.5 | 9.4 | 22.4 |
| SENSEX | 52,104 | (0.1) | 1.5 | 6.3 | 18.5 | 27.4 |
| Brent (US\$/bbl) | 63.35 | 0.1 | 3.7 | 15.0 | 44.8 | 9.7 |
| Gold (US\$/oz) | 1,794 | (1.3) | (2.4) | (1.9) | (4.6) | 12.0 |
| CRB Index | 470.1 | 0.7 | 0.7 | 3.6 | 11.6 | 16.6 |
| Rogers Agri Index | 957.2 | 1.7 | 1.1 | 3.6 | 16.3 | 28.7 |
| LIBOR (3M)* | 0.19 | 0 | (1) | (3) | (4) | (150) |
| INR 5Y Swap* | 5.95 | (1) | (1) | 36 | 83 | (44) |
| India FII data (US\$ mn) | | | | | | |
| | 15 Feb | 12 Feb | WTD | MTD | CYTD | FYTD |
| FII-Debt | 86.0 | 36.7 | 86.0 | 37.0 | (461.3) | (4,554.9) |
| FII-Equity | 264.3 | (234.9) | 264.3 | 3,449.1 | 5,427.3 | 35,403.1 |

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Markets in China were closed on 16 Feb 2021

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