

MACRO DAILY

22 January 2021

Macro developments

- RBI bought net US\$ 10.3bn in the spot market in Nov'20 compared with net purchase of US\$ 15.6bn in Oct'20. In FYTD21, RBI has purchased net US\$ 68.4bn in the spot market compared with net purchase of US\$ 25.4bn in FYTD20. In the forwards market, RBI purchased US\$ 14.8bn in Nov'20, highest in over 78-months. Its net outstanding forward position stands at US\$ 28.3bn.
- US housing starts rose by 5.8% on a MoM basis in Dec'20 versus 3.1% in Nov'20. This was led by pick-up in single family homes (12% versus 1.4%), while multi-family homes declined sharply by 15.2%. New permits rose by 4.5% versus 5.9% increase in Nov'20. Separately, jobless claims in the US for the week ending 16 Jan 2021 remained elevated at 0.9mn versus 0.93mn in the previous week.
- ECB kept its policy rates and accommodative stance unchanged. The policy is aimed at preventing 'tightening of financial conditions'. The council warned of downside risks to economic outlook due to imposition of stricter lockdown in some countries, though these risks will be less pronounced. It will also continue to provide 'ample' liquidity and 'stands ready' to take appropriate measures to ensure inflation moves towards its target level.

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Markets

- **Bonds:** Except Japan and China, global yields closed higher as risk appetite increased under Biden's administration. US 10Y yield rose the most by 3bps (1.11%) on expectation of more stimulus and higher borrowing. Germany's 10Y yield also rose by 3bps (-0.50%) as ECB retained its accommodative stance. Crude prices closed flat at US\$ 56.1/bbl. India 10Y yield rose by 1bps (5.93%). It is trading at 5.94% today.
- **Currency:** Barring INR and JPY (flat), other global currencies closed higher. DXY fell for the 4th consecutive session on hopes of US stimulus. GBP rose by 0.6% as vaccine rollout in UK raised hopes of recovery. INR is trading lower today in line with other Asian currencies.
- **Equity:** Global indices ended mixed as ECB kept policy rate on hold and US labour market continued to remain under stress. Amongst other indices, while FTSE (0.4%) declined the most, Shanghai Comp (1.1%) surged. Sensex dropped by 0.3% led by real estate stocks. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.11	3	(2)	17	25	(63)
UK	0.33	3	4	13	5	(26)
Japan	0.04	(1)	0	3	1	6
Germany	(0.50)	3	5	8	7	(19)
India	5.93	1	4	1	2	(67)
China	3.14	(1)	3	(12)	(3)	14
2Y yields (Δ bps)						
US	0.12	(1)	(2)	0	(3)	(139)
UK	(0.11)	1	1	0	(8)	(53)
Japan	(0.12)	0	(1)	1	1	0
Germany	(0.70)	1	3	4	7	(10)
India	4.50	1	7	61	31	(163)
China	2.37	(9)	10	(33)	(25)	15
Currencies (Δ %)						
EUR	1.2164	0.5	0.1	(0.7)	2.9	10.0
GBP	1.3733	0.6	0.3	2.0	5.0	4.6
JPY	103.50	0	0.3	(0.2)	1.3	5.5
AUD	0.7764	0.2	(0.2)	2.3	9.1	13.4
INR	73.00	0	0.1	1.1	0.7	(2.4)
CNY	6.4620	0.1	0.2	1.3	3.3	6.9
Equity & Other indices (Δ %)						
Dow	31,176	0	0.6	3.2	9.9	6.9
FTSE	6,715	(0.4)	(1.3)	4.7	16.1	(10.6)
DAX	13,907	(0.1)	(0.6)	5.0	10.9	3.9
NIKKEI	28,757	0.8	0.2	7.6	22.5	20.9
Shanghai Comp	3,621	1.1	1.6	5.9	9.3	21.7
SENSEX	49,625	(0.3)	0.1	8.9	22.4	19.9
Brent (US\$/bbl)	56.10	0	(0.6)	10.2	32.1	(9.6)
Gold (US\$/oz)	1,870	(0.1)	1.3	(0.4)	(1.8)	19.6
CRB Index	459.4	0.2	0.9	5.0	10.7	12.4
Rogers Agri Index	921.1	0.3	(0.6)	8.2	16.0	20.9
LIBOR (3M)*	0.22	0	0	(2)	1	(157)
INR 5Y Swap*	5.62	5	3	28	39	(113)
India FII data (US\$ mn)						
	20 Jan	19 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(276.1)	(25.3)	(478.3)	(961.8)	(961.8)	(5,055.4)
FII-Equity	341.1	115.8	723.4	2,562.7	3,019.6	32,995.3

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

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