

MACRO DAILY

23 April 2021

Macro developments

- Fitch has maintained India's sovereign rating at 'BBB-' with a negative outlook. The rating was retained as medium-term growth outlook still remains strong along with resilient external sector growth. Negative outlook is on the back of high debt levels and the impact of pandemic on government finances. Fitch estimates India's GDP growth at 12.5% in FY22 and 5.8% in FY23.
- US labour market continued to recover at an accelerated pace with jobless claims falling to 0.55mn last week compared with 0.59mn claims filed previously. The second consecutive dip is a new pandemic low. The 4-week moving average stood at 6,51,000. Separately, existing home sales fell to 7-month low of 3.7% in Mar'21 as restricted supply has pushed prices up.
- ECB kept policy rates unchanged and also said that the current asset purchase program of € 1.85tn is likely to continue till Mar'22. However, it noted that some improvement has been seen on growth despite considerable uncertainty from third wave of infection. Inflation in the Eurozone is still below the 2% target at 1.3% in Mar'21. GDP has contracted by 6.6% in CY20 and contraction is anticipated in Q1 as well.

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell by 2bps (1.54%) due to muted home sales data. Germany's 10Y yield rose by 1bps (-0.25%) with easing restrictions. Crude prices rose by 0.1% (US\$ 65/bbl) on hopes of recovery. India's 10Y yield fell by 2bps (6.05%) on expectation of operation twist announcement by RBI. It is trading higher at 6.06% today.
- **Currency:** Except JPY (higher) and CNY (flat), other global currencies closed lower. DXY rose by 0.2% as US jobless claims fell more than expected. GBP fell the most by 0.7%, followed by AUD which fell by 0.6%. INR depreciated by 0.1% as Covid-19 cases continued to surge. It is trading further lower today in line with other Asian currencies.
- **Equity:** Baring Dow and Shanghai Comp, other global indices ended higher. European indices gained as ECB kept the policy rate unchanged. Dow (0.9%) dipped on news reports of tax hike proposals by US. However, Sensex rose by 0.8% led by advancement in banking and metal stocks. It is trading lower today, while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.54	(2)	(4)	(16)	43	94
UK	0.74	0	0	(7)	41	45
Japan	0.07	(1)	(2)	(1)	3	6
Germany	(0.25)	1	4	6	24	17
India	6.05	(2)	(8)	(13)	12	(0)
China	3.16	1	(2)	(7)	1	65
2Y yields (Δ bps)						
US	0.15	0	(1)	0	3	(7)
UK	0.04	1	0	(3)	15	(2)
Japan	(0.13)	0	(1)	0	(1)	2
Germany	(0.69)	1	1	1	1	(2)
India	4.56	(3)	(6)	(22)	6	(3)
China	2.40	(1)	(10)	(17)	3	127
Currencies (Δ %)						
EUR	1.2015	(0.2)	0.4	0.7	(1.2)	11.5
GBP	1.3839	(0.7)	0.4	(0.2)	0.8	12.1
JPY	107.97	0.1	0.7	0.8	(4.3)	(0.3)
AUD	0.7707	(0.6)	(0.6)	(0.5)	(0.7)	21.0
INR	74.96	(0.1)	0	(3.6)	(2.7)	1.5
CNY	6.4901	0	0.5	0.3	(0.4)	8.2
Equity & Other indices (Δ %)						
Dow	33,816	(0.9)	(0.6)	3.3	8.5	43.8
FTSE	6,938	0.6	(0.6)	3.2	3.3	19.1
DAX	15,321	0.8	0.4	4.5	10.2	45.7
NIKKEI	29,188	2.4	(1.5)	0.0	1.5	50.2
Shanghai Comp	3,465	(0.2)	1.9	0.6	(4.3)	22.1
SENSEX	48,081	0.8	(1.5)	(3.4)	(3.1)	50.9
Brent (US\$/bbl)	65.40	0.1	(2.3)	1.2	16.6	206.6
Gold (US\$/oz)	1,784	(0.5)	1.1	2.6	(4.6)	3.1
CRB Index	522.6	0.3	1.2	3.1	13.7	49.1
Rogers Agri Index	1,037.7	2.1	5.0	8.0	12.7	59.8
LIBOR (3M)*	0.17	(1)	(2)	(2)	(4)	(82)
INR 5Y Swap*	5.48	0	(18)	(47)	(14)	35
India FII data (US\$ mn)						
	20 Apr	19 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(82.1)	113.3	31.3	9.7	(2,017.6)	9.7
FII-Equity	(97.4)	(220.9)	(318.3)	(813.5)	6,512.9	(813.5)

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com