

MACRO DAILY

25 February 2021

Macro developments

- As per second advance estimates, India's foodgrain output is expected to rise by 2.5% to 303mn tonne in CY21 (crop year) and will even surpass its target level (301mn tonne). This is led by improvement in the production of rice (1.2%), wheat (1.3%), pulses (6%) and mustard (14.4%) on the back of well distributed rainfall. With improved prospects of a good Rabi harvest, these estimates are likely to improve further.
- RBI reported that currency in circulation (CIC) declined by Rs 42bn and stood at Rs 28.3tn for the week ending 19 Feb 2021. Reserve money rose by 14.7% on a YoY basis, compared with 11.4% a year ago. On FYTD basis, reserve money increased by 12.7% as against 7.5% a year ago.
- US new home sales rose by 4.3% to its 3-month high of 923,000 at an annualised pace, in Jan'21 from 885,000 in Dec'20 and against expectation of 856,000. This was supported by lower mortgage rates. However, mortgage rates are now inching up in line with US 10Y yield. The median sales price also rose by 5.3% to US\$ 346,400 in Jan'21 compared to a year earlier.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 3bps (1.38%) as housing data showed improvement. Crude prices rose by 2.6% to US\$ 67/bbl, due to supply disruption in the US. India's 10Y yield fell by 2bps (6.15%) supported by RBI's special OMO announcement of Rs 150bn. It is trading flat today.
- Currency:** Except JPY which fell sharply by 0.6%, other global currencies closed higher on hopes of a quick economic recovery. DXY closed flat. AUD rose by 0.7% to a 3-year high. INR appreciated by 0.2% to its highest since Mar'20 even as oil prices increased. However it is trading lower today, while other Asian currencies are trading higher.
- Equity:** Barring Nikkei and Shanghai Comp, other global indices ended in green. Dow gained by 1.3% to close at a record high as Fed Chair downplayed inflationary concerns. Sensex rose by 2.1%, led by banking and capital good stocks. It is trading further higher 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	1.38	3	11	29	49	4
UK	0.73	1	16	42	41	23
Japan	0.13	0	3	8	11	21
Germany	(0.30)	1	6	21	26	20
India	6.15	(2)	12	24	26	(20)
China	3.27	1	3	15	(2)	47
2Y yields (Δ bps)						
US	0.12	1	2	0	(4)	(104)
UK	0.03	(1)	8	16	6	(33)
Japan	(0.09)	1	1	3	5	10
Germany	(0.68)	0	2	2	7	1
India	4.67	13	4	17	78	(93)
China	2.58	2	(7)	26	(38)	61
Currencies (Δ %)						
EUR	1.2166	0.1	1.1	0	2.1	11.8
GBP	1.4141	0.2	2.0	3.3	5.7	9.6
JPY	105.87	(0.6)	0	(2.0)	(1.3)	4.1
AUD	0.7968	0.7	2.8	3.3	8.2	21.8
INR	72.34	0.2	0.6	0.9	2.1	(0.9)
CNY	6.4571	0.1	0	0.4	1.9	8.1
Equity & Other indices (Δ %)						
Dow	31,962	1.3	1.1	3.1	7.0	18.6
FTSE	6,659	0.5	(0.8)	(0.5)	4.2	(5.4)
DAX	13,976	0.8	0.5	0.7	5.2	9.4
NIKKEI	29,672	(1.6)	(2.0)	3.6	12.8	32.3
Shanghai Comp	3,564	(2.0)	(2.5)	(1.2)	6.0	19.3
SENSEX	50,782	2.1	(1.8)	3.9	15.9	27.3
Brent (US\$/bbl)	67.04	2.6	4.2	21.0	37.9	25.5
Gold (US\$/oz)	1,805	0	1.6	(2.7)	(0.1)	10.0
CRB Index	489.7	0.6	2.8	7.3	14.7	23.1
Rogers Agri Index	992.2	1.3	3.9	10.1	20.2	37.7
LIBOR (3M)*	0.19	1	1	(3)	(5)	(143)
INR 5Y Swap*	5.93	(3)	(4)	29	73	(30)
India FII data (US\$ mn)						
	23 Feb	22 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	64.3	(110.0)	(45.7)	(349.4)	(847.7)	(4,941.3)
FII-Equity	(47.7)	(68.2)	(115.9)	3,928.9	5,907.2	35,882.9

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

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