

MACRO DAILY

04 February 2021

Macro developments

- India's services activity slightly moderated as PMI print was tad lower at 52.3 in Jan'21 versus 52.8 in Dec'20. However, it still pointed to expansion as the print was above the 50-mark. Both new work and business activity accelerated. Business outlook also improved due to roll out of vaccine. Employment and exports on the other hand, fell sharply. Input cost was slightly weaker compared to Dec'20.
- US ISM non-manufacturing PMI rose to 58.7 in Jan'21 from 57.7 in Dec'20. New orders (61.8 versus 58.6) and employment index (55.2 versus 48.7) rose the most. Within new orders, domestic orders supported growth as export orders fell by 10.3 points to 47. Price pressures remained broadly stable as index eased only a tad to 64.2 from 64.4 in Dec'20.
- CPI inflation in the Euro Area rose by 0.9% in Jan'21 (YoY) basis after declining by 0.3% in Dec'20. The higher than estimated increase (est., 0.6%) was led by services (1.4% versus 0.7% in Dec'20) and food, alcohol and tobacco (1.5% versus 1.3% in Dec'20). Core CPI (excl. energy and unprocessed food) rose by 1.4% in Jan'21 versus 0.4% in Dec'20.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (1.14%) on upbeat private payroll data and expectation of forthcoming fiscal stimulus. Crude prices also rose by 1.7% (US\$ 58/bbl) as US inventory fell to its lowest since Mar'20. India's 10Y yield fell by 4bps (6.08%) on hopes of stimulus from RBI. It is trading at 6.09% today.
- Currency:** Global currencies closed broadly lower against the dollar. DXY closed flat even as US ISM services index rose to a 2-year high. GBP depreciated the most by 0.2%. INR closed unchanged. It is trading higher today, while other Asian currencies are trading lower.
- Equity:** Barring FTSE and Shanghai Comp, other global indices ended higher. Dow gained by 0.1% led by strong data print (US non-manufacturing PMI). Sensex surged by 0.9% led by advancement in power and metal stocks. However, 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	1.14	4	12	22	37	(51)
UK	0.37	2	10	20	16	(25)
Japan	0.06	0	1	4	2	9
Germany	(0.46)	3	8	14	17	(11)
India	6.08	(4)	18	26	20	(42)
China	3.21	3	5	4	4	34
2Y yields (Δ bps)						
US	0.12	0	0	0	(3)	(133)
UK	(0.08)	1	5	7	(1)	(59)
Japan	(0.11)	0	0	0	0	3
Germany	(0.71)	1	3	1	8	(7)
India	4.59	(11)	8	72	42	(141)
China	2.67	6	9	20	(3)	45
Currencies (Δ %)						
EUR	1.2036	(0.1)	(0.6)	(1.7)	2.6	9.4
GBP	1.3647	(0.2)	(0.3)	0.6	5.1	5.0
JPY	105.03	0	(0.9)	(1.8)	(0.5)	4.4
AUD	0.7618	0.1	(0.6)	(0.6)	6.1	12.9
INR	72.98	0	(0.1)	0.1	2.4	(2.5)
CNY	6.4620	(0.1)	0.3	0	2.9	7.3
Equity & Other indices (Δ %)						
Dow	30,724	0.1	1.4	1.7	10.3	4.9
FTSE	6,508	(0.1)	(0.9)	(1.0)	10.6	(13.0)
DAX	13,934	0.7	2.3	1.5	13.1	3.4
NIKKEI	28,647	1.0	0	5.1	20.9	22.8
Shanghai Comp	3,517	(0.5)	(1.6)	0.4	7.3	24.8
SENSEX	50,256	0.9	6.0	4.3	23.7	22.1
Brent (US\$/bbl)	58.46	1.7	4.7	14.4	41.8	5.8
Gold (US\$/oz)	1,834	(0.2)	(0.5)	(5.6)	(3.6)	17.9
CRB Index	463.0	0.5	1.1	3.8	12.1	14.6
Rogers Agri Index	924.8	0.5	0	4.3	16.7	25.8
LIBOR (3M)*	0.19	0	(2)	(5)	(4)	(155)
INR 5Y Swap*	5.72	6	13	38	58	(86)
India FII data (US\$ mn)						
	2 Feb	1 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(27.3)	18.3	(9.0)	(9.0)	(507.3)	(4,600.9)
FII-Equity	933.0	253.2	1,186.2	1,186.2	3,164.4	33,140.2

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

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