

MACRO DAILY

05 February 2021

Macro developments

- Domestic petrol and diesel prices continued to increase in Feb'21. Base price of petrol and diesel shot up by 4.3% and 4.7% respectively on MoM basis against 2.8% and 3.1% in Jan'21. Even pump prices of petrol and diesel on an average rose to an all-time high of Rs 84.7/lt (1-4 Feb 2021) against Rs 83.3/lt in Jan'21. This was on the back of elevated crude prices (average of US\$ 58.1/bbl in Feb'21 versus US\$ 55.3/bbl in Jan'21).
- BoE has kept the bank rate (0.1%) and QE program of £895bn unchanged in its latest policy meeting. Noting the impact of second lockdown in UK, the bank has revised its GDP projection for Q1CY21 downward to contraction of ~4%. MPC also discussed the possibility of deploying negative rates after 6 months, if economic situation worsens.
- US durable goods orders rose for the 8th straight month in Dec'20 at 0.2% versus an increase of 1.2% in Nov'20 on a MoM basis. This was driven by machinery (2.4% versus 1.5%). New orders for non-defence capital goods excl. aircraft (proxy for business spending) rose by 0.7% versus 0.6% in Nov'20. Separately, US jobless claims for the week ending 30 Jan 2021 declined by 33,000 to 779,000 - its lowest level since Nov'20.

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed. UK 10Y yield rose the most by 7bps (0.44%) as BoE said that negative interest rates may not prevail before 6 months. US 10Y yield closed stable at 1.14% supported by favourable labour market data. Crude prices rose by 0.7% (US\$ 59/bbl). India's 10Y yield fell by 1bps (6.07%). It is trading lower at 6.05% today.
- Currency:** Except INR (flat) and GBP (higher), other global currencies closed lower against the dollar. DXY ended higher by 0.4% as US jobless claims fell for the 3rd straight week. EUR depreciated by 0.6% even as Euro Area retail sales rose more than expected in Dec'20. INR is trading lower today, in line with Asian currencies.
- Equity:** Global indices ended mixed as investors turned their focus towards developments surrounding Covid-19 vaccine and monitored earnings reports. FTSE (0.1%) ended lower as BoE revised its growth projection downward. Sensex gained by 0.7% led by power and metal stocks. It is trading 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	1.14	0	9	23	38	(50)
UK	0.44	7	15	27	21	(14)
Japan	0.06	0	2	4	4	8
Germany	(0.45)	1	9	15	18	(8)
India	6.07	(1)	18	25	21	(37)
China	3.24	3	4	6	5	40
2Y yields (Δ bps)						
US	0.11	(1)	(1)	0	(3)	(133)
UK	(0.03)	6	9	13	2	(51)
Japan	(0.12)	0	1	0	1	1
Germany	(0.71)	0	3	1	7	(8)
India	4.58	0	10	72	46	(124)
China	2.70	2	4	22	(3)	47
Currencies (Δ %)						
EUR	1.1964	(0.6)	(1.3)	(2.3)	1.2	8.9
GBP	1.3672	0.2	(0.4)	0.7	4.0	5.7
JPY	105.54	(0.5)	(1.2)	(2.3)	(2.0)	4.0
AUD	0.7600	(0.2)	(1.1)	(0.8)	4.4	12.9
INR	72.96	0	0.1	0.1	1.9	(2.5)
CNY	6.4718	(0.2)	(0.3)	(0.2)	2.0	7.2
Equity & Other indices (Δ %)						
Dow	31,056	1.1	1.5	2.8	9.4	5.7
FTSE	6,504	(0.1)	(0.3)	(1.0)	10.1	(13.3)
DAX	14,060	0.9	2.9	2.4	11.9	3.6
NIKKEI	28,342	(1.1)	0.5	4.0	17.6	18.7
Shanghai Comp	3,502	(0.4)	(0.1)	0	5.5	22.2
SENSEX	50,614	0.7	8.0	5.1	22.4	22.5
Brent (US\$/bbl)	58.84	0.7	6.0	15.2	43.8	7.1
Gold (US\$/oz)	1,794	(2.2)	(2.7)	(7.7)	(8.0)	14.5
CRB Index	463.5	0.1	1.4	3.9	11.7	14.5
Rogers Agri Index	929.8	0.5	1.3	4.9	16.0	26.2
LIBOR (3M)*	0.20	0	(2)	(4)	(2)	(154)
INR 5Y Swap*	5.70	(2)	16	36	61	(81)
India FII data (US\$ mn)						
	3 Feb	2 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	8.8	(27.3)	(0.2)	(0.2)	(498.5)	(4,592.1)
FII-Equity	367.6	933.0	1,553.8	1,553.8	3,532.0	33,507.8

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