

## MACRO DAILY

06 January 2021

### Macro developments

- World Bank expects India's GDP growth to contract by 9.6% in FY21 before recovering to 5.4% in FY22 and 5.2% in FY23. The contraction in FY21 is attributed to weak consumption and investment demand. For FY22, the report notes that the rebound due to a lower base will be offset by subdued private investment due to weakness in financial sector. Global GDP is expected to shrink by 4.3% in CY20 and recover to 4% in CY21.
- Manufacturing activity in the US rebounded as visible in the ISM PMI data. It rose to 60.7 in Dec'20 (est.:56.6) against 57.5 in Nov'20. This has been the 8<sup>th</sup> consecutive month of expansion, led by considerable increase in new orders and production. Employment scenario also improved. Input costs on the other hand remained elevated.
- Germany's retail sales rose by 1.9% in Nov'20 versus 2.6% in Oct'20 and estimated 2% contraction, as only partial lockdown was in effect then. Online shopping and higher spending on home improvement products supported growth. With this, sales in CY20 are expected to have risen by 4% compared with 3.2% in CY19. Separately, number of unemployed in Germany rose by 8,000 in Dec'20 on a MoM basis to 2.7mn persons.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (0.95%) ahead of Senate election outcome. China's 10Y yield fell by 4bps (3.14%) as PMI print weakened moderately. Crude prices rose by 4.9% to US\$ 54/bbl, highest since Feb'20 supported by Saudi Arabia's another 1mbpd output cut decision. India's 10Y yield closed flat at 5.82%. It is trading at 5.84% today.
- Currency:** Except INR, other global currencies closed higher. DXY fell by 0.5% as investors await the results of the crucial Senate elections in Georgia. CNY gained by 0.1% as NYSE reversed its decision to de-list 3 Chinese companies. INR depreciated by 0.1% as oil prices rose. However, it is trading higher today while other Asian currencies are trading lower.
- Equity:** Global indices closed mixed. Dax and Nikkei closed lower as concerns over speed of vaccination in Europe and third complete lockdown in UK impacted investor sentiments. Sensex rose by 0.5% led by banking and tech stocks. It is trading lower today in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.95	4	2	(1)	22	(86)
UK	0.21	4	0	(14)	(8)	(58)
Japan	0.01	(1)	(1)	(1)	(3)	2
Germany	(0.58)	3	(1)	(3)	(7)	(29)
India	5.82	0	(6)	0	(20)	(73)
China	3.14	(4)	(2)	(17)	(1)	(0)
<b>2Y yields (Δ bps)</b>						
US	0.12	1	0	(3)	(3)	(142)
UK	(0.14)	1	1	(11)	(12)	(75)
Japan	(0.13)	(1)	(1)	(1)	(1)	(1)
Germany	(0.72)	1	0	3	(2)	(9)
India	3.86	(1)	(4)	0	(53)	(235)
China	2.44	(3)	(12)	(43)	(16)	16
<b>Currencies (Δ %)</b>						
EUR	1.2298	0.4	0.4	1.5	4.8	10.3
GBP	1.3627	0.4	0.9	1.4	5.8	3.8
JPY	102.72	0.4	0.8	1.4	2.8	5.3
AUD	0.7759	1.2	2.0	4.5	9.3	12.9
INR	73.18	(0.2)	0.3	0.8	0.4	(1.9)
CNY	6.4561	0.1	1.1	1.2	4.9	7.0
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	30,392	0.6	0.2	0.6	9.4	6.3
FTSE	6,612	0.6	0.1	0.9	11.1	(12.7)
DAX	13,651	(0.6)	(0.8)	2.6	5.8	3.2
NIKKEI	27,159	(0.4)	(1.5)	1.5	15.9	15.2
Shanghai Comp	3,529	0.7	4.4	2.4	9.7	13.7
SENSEX	48,438	0.5	1.7	7.4	22.4	18.5
Brent (US\$/bbl)	53.60	4.9	4.9	8.8	25.7	(21.5)
Gold (US\$/oz)	1,950	0.4	3.8	6.0	3.8	23.9
CRB Index	448.6	0.6	1.4	5.0	10.7	11.8
Rogers Agri Index	900.0	1.5	3.3	10.0	18.0	19.3
LIBOR (3M)*	0.24	0	(2)	1	1	(164)
INR 5Y Swap*	5.33	(1)	4	15	(5)	(146)
<b>India FII data (US\$ mn)</b>						
	<b>4 Jan</b>	<b>1 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD21</b>	<b>FYTD</b>
FII-Debt	141.9	(7.0)	141.9	134.9	134.9	(3,958.7)
FII-Equity	377.8	161.6	377.8	539.4	539.4	30,515.2

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

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