

MACRO DAILY

08 April 2021

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 37.3bn and stood at Rs 28.5tn for the week ending 2 Apr 2021. Reserve money rose by 18.2% on a YoY basis, compared with 9.3% a year ago. On FYTD basis, reserve money increased by 0.7% as against a decline of 1.9% a year ago.
- India's services PMI eased to 54.6 in Mar'21 from 55.3 in Feb'21 as rising Covid-19 cases impacted services activity. However the index remained in the expansion zone for the 6th consecutive month. New orders rose, albeit at a slower pace. However, new orders from abroad declined for the 13th straight month. Further, while input cost inflation rose sharply, selling prices rose only marginally.
- US Fed minutes noted that economic activity is reviving and inflation is seeing a pickup. However, it pointed out that there would be some time until substantial progress towards Fed's goal of maximum employment and inflation at 2% can be achieved. FOMC members also highlighted that changes in the path of policy should be based primarily on observed outcomes, thus signalling no raising of rates in the near term.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (1.67%) as Fed minutes noted recent economic recovery and rise in inflation. UK 10Y yield fell by 2bps (0.77%) over concerns of safety of vaccine. Crude prices rose by 0.7% (US\$ 63/bbl) as IMF revised upward its global growth forecast. India's 10Y yield fell by 4bps (6.08%) supported by RBI's announcement of GSAP-1 of Rs 1tn in Q1. It is trading at 6.05% today.
- **Currency:** Global currencies closed lower/flat. DXY rose by 0.1% after falling for 2-consecutive sessions as FOMC members reiterated the need for monetary policy support. AUD fell by 0.6%. INR depreciated sharply by 1.6% to a 5-month low as Covid-19 cases in India spiked sharply. However, it is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Global indices ended mixed as investors continued to monitor rising Covid-19 cases and Fed minutes. Amongst other indices, Shanghai Comp (0.1%) declined the most. However, Sensex (0.9%) ended in green after RBI's dovish stance with focus turned towards growth. 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	1.67	2	(7)	11	64	90
UK	0.77	(2)	(7)	2	53	39
Japan	0.10	(1)	0	0	8	8
Germany	(0.32)	(1)	(3)	(2)	20	(2)
India	6.08	(4)	(9)	(15)	23	(36)
China	3.23	2	4	(2)	9	75
2Y yields (Δ bps)						
US	0.15	0	(1)	2	2	(10)
UK	0.06	(1)	(4)	(4)	20	(5)
Japan	(0.12)	0	1	1	(1)	(1)
Germany	(0.70)	0	(1)	(1)	0	(11)
India	4.60	7	(7)	(24)	48	(72)
China	2.51	0	(2)	(5)	10	128
Currencies (Δ %)						
EUR	1.1868	(0.1)	1.2	(0.4)	(3.7)	9.3
GBP	1.3737	(0.6)	(0.3)	(0.8)	0.9	10.9
JPY	109.85	(0.1)	0.8	(1.4)	(6.6)	(0.9)
AUD	0.7614	(0.7)	0.2	(0.9)	(2.4)	22.2
INR	74.57	(1.6)	(2.0)	(2.1)	(2.0)	2.3
CNY	6.5425	0	0.2	(0.7)	(1.2)	7.4
Equity & Other indices (Δ %)						
Dow	33,446	0	1.4	6.2	8.5	42.7
FTSE	6,885	0.9	2.6	3.8	0.6	21.3
DAX	15,176	(0.2)	1.1	9.0	9.2	46.9
NIKKEI	29,731	0.1	1.9	3.0	9.9	53.6
Shanghai Comp	3,480	(0.1)	1.1	(0.6)	(2.0)	23.6
SENSEX	49,662	0.9	0.3	(1.5)	3.1	66.1
Brent (US\$/bbl)	63.16	0.7	(0.6)	(8.9)	16.3	92.3
Gold (US\$/oz)	1,738	(0.3)	1.8	2.2	(9.4)	5.6
CRB Index	508.3	0.1	0.3	3.4	13.5	40.2
Rogers Agri Index	950.8	0.4	(0.1)	(1.9)	5.5	45.2
LIBOR (3M)*	0.20	0	0	1	(4)	(111)
INR 5Y Swap*	5.75	(6)	(9)	(23)	34	(27)
India FII data (US\$ mn)						
	6 Apr	5 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(119.6)	(195.7)	(315.2)	(315.2)	(2,342.5)	(315.2)
FII-Equity	(119.1)	(89.9)	(208.9)	(208.9)	7,117.4	(208.9)

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

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