

MACRO DAILY

08 January 2021

Macro developments

- India's GDP growth is estimated to contract by 7.7% in FY21 (4.2% in FY20) led by 9.5% decline in consumption and 14.5% dip in investment spending. Recent high frequency indicators show rapid improvement. This not only builds a case for an upgrade to FY21 estimates but also sets the base for a double digit growth in FY22. We expect GVA and GDP growth to rebound to 10% and 10.5% respectively in FY22.
- Initial jobless claims in the US eased to 787,000 for the week ending 2 Jan 2021 versus 790,000 in the previous week. The 4-week moving average also fell by 18,750 from the previous week to 818,750. However, as the print continues to hover around 0.8mn, stress in labour market remains. Separately, trade deficit in Nov'20 jumped to US\$ 68.1bn (highest since Aug'06), from US\$ 63.1bn in Oct'20, led by surge in imports.
- Industrial orders in Germany rose by 2.3% in Nov'20 (MoM), defying expectations of a 1.2% decline. The increase was led by foreign orders (up 2.9%). Domestic orders also increased by 1.6%. New orders for intermediate goods rose the most by 4.9% followed by capital goods at 1.1%. Even on a YoY basis, new orders were up by 6.3% in Nov'20.

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Markets

- Bonds:** Except Germany and China (flat), global yields closed higher. US 10Y yield continued to inch up by 4bps (1.08%) as Democrats win in the Senate election boosted hopes of higher spending in the Biden's administration to revive growth. Crude prices also rose by 0.1% (US\$ 54/bbl). India's 10Y yield closed flat at 5.86% and is also trading at the same level today.
- Currency:** Global currencies closed lower. DXY rose by 0.3% on the back of rising US yields. GBP fell by 0.3% as investors raised bets on a rate cut by BoE to limit the economic fallout of a third lockdown. INR depreciated by 0.3% as oil prices climbed to an 11-month high. It is trading further lower today in line other Asian currencies.
- Equity:** Barring Sensex, global indices ended higher. US congress confirmation of Biden's victory and control of Democrats over the Senate boosted investor sentiments. Sensex however fell by 0.2% led by power and tech stocks. It is trading higher today, in with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.08	4	17	16	29	(78)
UK	0.28	4	9	0	(1)	(54)
Japan	0.04	2	2	2	0	3
Germany	(0.52)	0	5	6	0	(34)
India	5.86	0	(1)	2	(16)	(67)
China	3.13	0	(2)	(17)	(2)	1
2Y yields (Δ bps)						
US	0.14	0	2	0	(1)	(144)
UK	(0.14)	0	3	(6)	(11)	(72)
Japan	(0.11)	(1)	1	2	(1)	2
Germany	(0.70)	0	0	6	1	(11)
India	4.13	2	27	21	(21)	(203)
China	2.32	(9)	(16)	(55)	(28)	4
Currencies (Δ %)						
EUR	1.2272	(0.4)	0.5	1.3	4.4	10.5
GBP	1.3568	(0.3)	(0.7)	1.4	4.9	3.8
JPY	103.81	(0.7)	(0.5)	0.2	2.1	5.2
AUD	0.7769	(0.4)	1.0	4.7	8.4	13.3
INR	73.32	(0.3)	(0.4)	0.8	(0.1)	(3.0)
CNY	6.4783	(0.2)	0.7	0.8	4.6	6.5
Equity & Other indices (Δ %)						
Dow	31,041	0.7	1.4	3.2	9.2	7.2
FTSE	6,857	0.2	4.6	4.6	14.7	(9.8)
DAX	13,968	0.5	1.8	5.3	7.1	3.5
NIKKEI	27,490	1.6	0.2	3.6	16.3	15.8
Shanghai Comp	3,576	0.7	3.0	4.7	11.1	15.6
SENSEX	48,093	(0.2)	0.7	5.9	19.7	16.0
Brent (US\$/bbl)	54.38	0.1	5.0	11.5	25.5	(16.8)
Gold (US\$/oz)	1,914	(0.2)	0.8	2.7	1.1	23.3
CRB Index	449.2	0.3	1.2	3.7	10.6	10.2
Rogers Agri Index	897.7	(0.4)	1.3	9.6	17.1	18.5
LIBOR (3M)*	0.23	0	0	0	1	(161)
INR 5Y Swap*	5.40	(1)	7	21	4	(137)
India FII data (US\$ mn)						
	6 Jan	5 Jan	WTD	MTD	CYTD21	FYTD
FII-Debt	(9.0)	25.8	158.7	151.7	151.7	(3,941.9)
FII-Equity	(47.2)	(26.4)	304.2	465.8	465.8	30,441.6

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

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