

MACRO DAILY

11 January 2021

Macro developments

- RBI has again announced variable rate reverse repo auction on 15 Jan 2021 worth Rs 2tn to restore normal liquidity operation. This was last conducted on 27 Mar 2020 in view of the disruptions from Covid-19. In Dec'20 MPC minutes as well the issue of excess liquidity and its impact on rates was highlighted. Currently, liquidity surplus is at Rs 5.6tn. Raising CRR from Apr'21 will also be a step towards restoring normal liquidity conditions.
- US non-farm payrolls declined by 140,000 in Dec'20, marking the first ever decline since Apr'20. This was against the estimate of an increase of 50,000 and also well below 336,000 additions in Nov'20. The decline was led by leisure and hospitality sector due to a sharp spike in Covid-19. Other sectors such as retail, professional & business services and construction fared well. Unemployment rate remained unchanged at 6.7%.
- China's PPI fell by 0.4% in Dec'20 versus 1.5% drop in Nov'20. The less than estimated decline (0.8%) was on account of slower pace of contraction in prices of raw materials (1.6% versus 4.2% in Nov'20). Steady recovery in China and vaccine roll out have supported gains in global commodity prices. Separately, headline CPI rose by 0.2% in Dec'20 following 0.5% decline in Nov'20. Higher food prices contributed most.

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Markets

- **Bonds:** Except UK, Japan and Germany (stable), global yields closed higher. US 10Y yield rose the most by 4bps (1.12%) as bleak employment scenario raised hopes of more fiscal stimulus. Crude prices rose by 3% (US\$ 56/bbl) supported by supply cut response from Saudi Arabia. Thus, India's 10Y yield rose by 2bps (5.88%). It is trading at 5.92% today.
- **Currency:** Global currencies closed mixed. DXY rose by 0.3% as weak US jobs report fuelled hopes of further stimulus. EUR fell by 0.4% even as Germany's industrial output and exports rose in Nov'20. INR appreciated by 0.1%. However it is trading lower today in line other Asian currencies.
- **Equity:** Barring Shanghai Comp, other global indices ended higher. Nikkei, Sensex and Dax rose the most. Hopes of smooth transitioning of US administration and greater fiscal support boosted sentiments. Sensex rose by 1.4% led by auto and tech stocks. It is trading higher today, while other Asian markets are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.12	4	20	21	34	(70)
UK	0.29	0	9	9	1	(48)
Japan	0.04	0	1	2	0	4
Germany	(0.52)	0	5	8	1	(32)
India	5.88	2	0	3	(6)	(71)
China	3.15	2	0	(14)	(4)	7
2Y yields (Δ bps)						
US	0.13	0	1	0	(2)	(144)
UK	(0.13)	1	3	(1)	(11)	(66)
Japan	(0.12)	(1)	0	1	0	2
Germany	(0.70)	0	0	7	1	(10)
India	4.17	3	30	24	(10)	(200)
China	2.29	(4)	(20)	(54)	(33)	0
Currencies (Δ %)						
EUR	1.2218	(0.4)	0	0.7	3.3	9.9
GBP	1.3568	0	(0.8)	2.1	4.1	3.9
JPY	103.94	(0.1)	(0.7)	0.3	1.6	5.0
AUD	0.7757	(0.2)	0.8	2.9	7.1	12.4
INR	73.25	0.1	(0.2)	0.6	(0.2)	(3.3)
CNY	6.4746	0.1	0.8	1.1	3.3	6.4
Equity & Other indices (Δ %)						
Dow	31,098	0.2	1.6	3.7	8.8	7.9
FTSE	6,873	0.2	6.4	4.1	14.2	(9.4)
DAX	14,050	0.6	2.4	5.7	7.6	4.2
NIKKEI	28,139	2.4	2.5	5.2	19.1	18.0
Shanghai Comp	3,570	(0.2)	2.8	5.8	9.1	15.5
SENSEX	48,783	1.4	1.9	6.1	20.4	17.3
Brent (US\$/bbl)	55.99	3.0	8.1	11.4	30.7	(13.8)
Gold (US\$/oz)	1,849	(3.4)	(2.6)	0.7	(4.2)	18.3
CRB Index	449.0	(0.1)	1.2	3.5	9.4	10.2
Rogers Agri Index	898.1	0	1.4	8.6	16.3	17.9
LIBOR (3M)*	0.22	0	(1)	0	0	(161)
INR 5Y Swap*	5.43	3	11	18	10	(134)
India FII data (US\$ mn)						
	7 Jan	6 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(145.3)	(9.0)	13.4	6.4	6.4	(4,087.2)
FII-Equity	109.7	(47.2)	413.9	575.5	575.5	30,551.3

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

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