

MACRO DAILY

12 February 2021

Macro developments

- Recovery in auto industry hit a snag, as retail sales contracted by 10% in Jan'21 from an increase of 11% in Dec'20. Both passenger and two-wheeler sales were down by 4% and 9% respectively in Jan'21. Lower demand and fresh hike in prices added to the woes. Retail sales of commercial vehicles also took a beating and declined by 25% in Jan'21.
- US initial jobless claims for the week ending 6 Feb 2021 fell by 19,000 to 793,000 (est.: 760,000) from 812,000 in the week before. The easing can be attributed to declining Covid-19 cases and acceleration in vaccination drive, which have allowed businesses and consumers to resume activity. The 4-week moving average dropped by 33,500 to 823,000.
- European Commission (EC) estimates GDP growth in the Euro Area to increase to 3.8% in CY21 (versus 4.2% earlier) and CY22 (3% earlier) against a 6.8% decline in CY20 (7.8% dip earlier). It noted that while growth in Q1CY21 may contract due to renewed lockdowns, it will pick up sharply from H2 as vaccine roll-out gathers pace. Private consumption and external demand will lead the gains. CPI inflation is expected to accelerate to 1.4% in CY21 from 0.3% in CY20, before moderating to 1.3% in CY22.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (1.16%) as CBO projected budget deficit to be higher than earlier forecast (as of Sep'21). Crude prices fell by 0.5% (US\$ 61/bbl) as news reports quoted OPEC saying oil demand to be slower than anticipated. India's 10Y yield fell by 5bps (5.96%) as RBI had set a higher than expected cut off price in the special auction.
- Currency:** Global currencies closed mixed due to thin trading margins as markets in China and Japan were shut. DXY rose marginally by 0.1% even as US jobless claims fell less than expected. GBP depreciated by 0.1%. AUD rose by 0.4%. INR closed flat. Asian currencies are trading lower today.
- Equity:** Barring Dow (flat), other global indices ended higher as investors continued to monitor earnings and Fed Chair's comment on Fed policy to remain accommodative. Amongst other indices, Dax (0.8%) gained the most. Sensex (0.4%) too ended in green led by oil & gas and metal stocks. It is trading higher today, while most of Asian markets are closed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.16	4	2	2	28	(45)
UK	0.47	(2)	3	16	12	(18)
Japan	0.08	0	2	5	5	12
Germany	(0.46)	(2)	0	4	8	(7)
India	5.96	(5)	(12)	4	5	(47)
China	3.24	0	0	8	(2)	42
2Y yields (Δ bps)						
US	0.11	0	0	(4)	(7)	(133)
UK	(0.04)	(1)	(1)	8	0	(60)
Japan	(0.11)	0	1	1	2	4
Germany	(0.72)	0	(1)	(2)	1	(7)
India	4.54	(10)	(4)	37	40	(120)
China	2.65	0	(5)	41	(15)	42
Currencies (Δ %)						
EUR	1.2130	0.1	1.4	(0.2)	2.7	11.9
GBP	1.3816	(0.1)	1.1	2.2	5.3	5.9
JPY	104.75	(0.2)	0.7	(0.5)	0.4	4.6
AUD	0.7752	0.4	2.0	0.7	7.2	15.4
INR	72.86	0	0.1	0.7	2.4	(2.1)
CNY	6.4583	0	0.2	0.4	2.3	7.4
Equity & Other indices (Δ %)						
Dow	31,431	0	1.2	1.4	8.1	6.8
FTSE	6,529	0.1	0.4	(4.0)	3.0	(12.4)
DAX	14,041	0.8	(0.1)	0.7	7.6	2.1
NIKKEI	29,563	0.2	4.3	5.1	15.8	24.1
Shanghai Comp	3,655	1.4	4.4	3.5	9.5	25.8
SENSEX	51,532	0.4	1.8	4.6	18.9	24.3
Brent (US\$/bbl)	61.14	(0.5)	3.9	9.8	40.5	8.5
Gold (US\$/oz)	1,826	(0.9)	1.8	(1.0)	(2.7)	15.8
CRB Index	466.9	(0.1)	0.7	3.6	12.5	16.1
Rogers Agri Index	939.0	0.7	1.0	4.9	15.6	27.2
LIBOR (3M)*	0.20	0	1	(2)	(2)	(149)
INR 5Y Swap*	5.95	1	25	45	80	(48)
India FII data (US\$ mn)						
	10 Feb	9 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(36.0)	11.8	(46.0)	(66.9)	(565.2)	(4,658.8)
FII-Equity	258.7	453.8	1,010.6	3,279.0	5,257.2	35,233.0

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

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