

## MACRO DAILY

16 February 2021

### Macro developments

- India's trade deficit narrowed to US\$ 14.5bn in Jan'21 from US\$ 15.4bn in Dec'20. Export growth rose to 6.2% from 0.1% led by engineering goods and agricultural products. Import growth decelerated to 2% from 7.6%, as oil imports fell. Non-oil-non-gold imports were stable at US\$ 28.6bn. Trade deficit is expected to rise to US\$ 165bn in FY22 from US\$ 95bn in FY21 as economic activity picks up.
- Euro Area's industrial production fell by 1.6% in Dec'20 following 2.6% rise in Nov'20. This was led by a 3.1% decline in production of capital goods and 0.6% dip in non-durable goods. Separately, Japan's industrial production fell by 1% in Dec'20 after remaining flat (0%) in Nov'20. Mining and manufacturing activity fell by 1% following 0.5% dip in Nov'20, led by fall in production of electrical machinery, I&CE equipment and motor vehicles.
- Reserve Bank of Australia's minutes highlighted that growth and employment are expected to reach their pre-pandemic levels in CY21, ~6-12 months earlier than previously anticipated. In the baseline scenario, unemployment rate would decline to 6% by CY21, before reaching around 5.25% by mid CY23. However, muted wage growth would keep inflation below target of 2% even till the middle of CY23.

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### Markets

- Bonds:** Global yields closed higher on hopes of economic recovery amidst vaccine rollout. 10Y yields in UK and Germany rose the most by 5bps. Crude prices rose by 1.4% (US\$ 63/bbl) due to supply disruption in the US and tensions in the Middle East. India's 10Y yield rose by 3bps (6.02%) as WPI rose more than expected in Jan'21. It is trading at 6.04% today.
- Currency:** Except CNY and JPY, other global currencies closed higher. Risk sentiment improved on the back of vaccine rollouts and US fiscal stimulus. DXY held steady near a 2-week low. INR rose by 0.1%. It is trading further higher today in line with other Asian currencies.
- Equity:** Global indices ended higher led by optimism over global recovery. Nikkei (1.9%) climbed the 30,000-mark for the first time in over 30-years as Japan's GDP growth was better than expected. Sensex (1.2%) started the week on positive note led by firm global cues. Banking and power stocks rose the most. It is trading higher today, in line with other Asian indices.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.21	4	4	12	30	(38)
UK	0.57	5	10	28	22	(7)
Japan	0.08	1	1	4	6	11
Germany	(0.38)	5	6	16	16	2
India	6.02	3	(2)	7	14	(37)
China	3.24	1	0	9	(3)	35
<b>2Y yields (Δ bps)</b>						
US	0.11	0	0	(2)	(7)	(132)
UK	(0.03)	0	0	10	(1)	(58)
Japan	(0.12)	0	(1)	0	1	2
Germany	(0.70)	1	2	3	3	(4)
India	4.58	0	(5)	11	48	(111)
China	2.65	(3)	(3)	37	(18)	42
<b>Currencies (Δ %)</b>						
EUR	1.2129	0.1	0.7	0.4	2.3	11.9
GBP	1.3903	0.4	1.2	2.3	5.3	6.9
JPY	105.38	(0.4)	(0.1)	(1.5)	(0.8)	4.1
AUD	0.7781	0.3	1.0	1.0	6.3	15.9
INR	72.69	0.1	0.4	0.5	2.6	(2.0)
CNY	6.4583	(0.4)	(0.2)	0.3	1.9	7.5
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	31,458	0.1	0.2	2.1	5.0	7.0
FTSE	6,756	2.5	3.6	0.3	5.2	(9.1)
DAX	14,109	0.4	0.4	2.3	7.4	2.4
NIKKEI	30,084	1.9	2.4	5.5	16.1	27.9
Shanghai Comp	3,655	1.4	3.5	2.5	9.2	22.5
SENSEX	52,154	1.2	1.6	6.4	20.1	27.0
Brent (US\$/bbl)	63.30	1.4	4.5	14.9	44.5	9.8
Gold (US\$/oz)	1,819	(0.3)	(0.7)	(0.5)	(3.7)	15.0
CRB Index	470.1	0.7	1.3	3.6	11.9	17.2
Rogers Agri Index	941.3	0.3	(0.3)	1.9	14.7	27.8
LIBOR (3M)*	0.19	0	0	(3)	(3)	(150)
INR 5Y Swap*	5.96	6	10	37	83	(44)
<b>India FII data (US\$ mn)</b>						
	<b>12 Feb</b>	<b>11 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	36.7	(18.8)	(28.0)	(49.0)	(547.3)	(4,640.9)
FII-Equity	(234.9)	140.7	916.4	3,184.7	5,163.0	35,138.7

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | Markets in China and US were closed on 15 Feb 2021

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