

MACRO DAILY

16 June 2021

Macro developments

- India's exports rose to US\$ 32.3bn in May'21 (69.4% YoY) from US\$ 30.6bn in Apr'21 (195.7%). Over a 2-year horizon, exports have risen by 8%. Imports eased to US\$ 38.6bn in May'21 (73.6%) from US\$ 45.7bn in Apr'21 (167.1%). Compared with May'19, imports have fallen by 17.4%. Non-oil-non-gold imports have declined by 3% over 2-year horizon.
- Retail sales in the US fell by 1.3% in May'21 (est.: -0.6%) from 0.9% rise in Apr'21, owing to shift in spending pattern towards services. Core retail sales also fell by 0.7% versus 0.4% dip. Separately, industrial production rose by 0.8% in May'21 (est.: 0.6%) from 0.1% in Apr'21. The recovery was led by mining (1.2% from -0.4%) and manufacturing (0.9% from -0.1%). PPI also rose to its highest in the current series (since Nov'10) by 6.6%.
- Japan's exports rose by 49.6% in May'21 (41 year high), from 38% rise in Apr'21, mainly owing to base effect (28.3% drop in May'20). Exports of both cars and auto parts rose sharply by 135.5% and 139.1% respectively, led by demand from the US. Imports too rose, by 27.9% versus 12.8% in Apr'21, owing to recovery in domestic demand and higher crude prices.

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Markets

- Bonds:** Except US and China (stable), global yields closed higher. US 10Y yield was stable at 1.49% as investors remained cautious ahead of Fed's decision. UK's 10Y yield rose by 2bps (0.76%) supported by jobs data. Crude prices rose by 1.6% (US\$ 74/bbl) due to drawdown in US inventory. India's 10Y yield rose by 4bps (6.04%) as CPI surprised negatively in May'21. It is trading further higher at 6.05% today.
- Currency:** Except EUR and JPY (flat), other global currencies closed lower against the dollar. DXY was steady as investors await the outcome of the Fed policy meet. GBP depreciated amidst concerns over rising Covid-19 cases. INR depreciated marginally by 0.1% as oil prices continued to rise. It is trading further lower today, in line with other Asian currencies.
- Equity:** Barring Dow and Shanghai Comp, other global indices ended higher as the ongoing Fed policy remained key focal point for investors. Nikkei (1%) gained the most. Sensex scaled new highs and rose by 0.4%, led by positive global cues and gains in real estate stocks. It is trading higher today, while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.49	0	(4)	(14)	(13)	74
UK	0.76	2	(1)	(10)	(3)	55
Japan	0.05	1	(3)	(4)	(5)	3
Germany	(0.23)	2	(1)	(10)	10	20
India	6.04	4	4	6	(14)	19
China	3.15	0	1	1	(12)	29
2Y yields (Δ bps)						
US	0.16	1	1	2	1	(4)
UK	0.08	1	1	0	(1)	12
Japan	(0.12)	0	0	1	3	3
Germany	(0.67)	0	0	(2)	2	(2)
India	4.24	(4)	(5)	(9)	(69)	(15)
China	2.45	1	4	5	(14)	45
Currencies (Δ %)						
EUR	1.2126	0	(0.4)	(0.1)	1.9	7.7
GBP	1.4083	(0.2)	(0.5)	(0.1)	1.4	12.0
JPY	110.08	0	(0.5)	(0.7)	(1.0)	(2.6)
AUD	0.7687	(0.3)	(0.7)	(1.1)	(0.8)	11.6
INR	73.31	(0.1)	(0.6)	0	(1.1)	3.8
CNY	6.4061	(0.1)	(0.1)	0.5	1.5	9.6
Equity & Other indices (Δ %)						
Dow	34,299	(0.3)	(0.9)	(0.2)	4.5	30.5
FTSE	7,172	0.4	1.1	1.8	5.4	14.9
DAX	15,730	0.4	0.6	2.0	8.1	27.7
NIKKEI	29,441	1.0	1.6	4.8	(1.6)	30.4
Shanghai Comp	3,557	(0.9)	(0.7)	1.9	3.2	21.3
SENSEX	52,773	0.4	1.0	8.3	4.8	57.0
Brent (US\$/bbl)	73.99	1.6	2.5	7.7	8.2	80.6
Gold (US\$/oz)	1,859	(0.4)	(1.8)	0.8	7.4	7.7
CRB Index	558.8	(0.7)	0.8	3.8	12.5	54.0
Rogers Agri Index	1,052.6	(0.5)	(3.6)	(0.9)	8.2	56.7
LIBOR (3M)*	0.12	0	(1)	(4)	(7)	(19)
INR 5Y Swap*	5.71	5	7	6	(27)	53
India FII data (US\$ mn)						
	14 Jun	11 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(32.4)	(9.7)	(32.4)	(287.8)	(2,868.4)	(841.2)
FII-Equity	110.3	14.4	110.3	1,544.1	8,130.2	803.9

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

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