

MACRO DAILY

18 June 2021

Macro developments

- Government has slashed the tariff value for import of edible oils. Tariffs on RBD and crude palmolein have been reduced by US\$ 112/tonne, crude palm oil by US\$ 86/tonne and crude soyabean oil by US\$ 37/tonne. Oil and fats with weight of 3.56% in overall CPI have registered double-digit inflation since Apr'20. This move is likely to soften the retail prices.
- US jobless claims rose for the first time since Apr'21 by 37,000 to 0.41mn (est. 0.36mn) for the week ended 12 Jun 2021. Despite the increase in claims, which is seen as a temporary blip, the layoffs have eased sharply on the back of vaccination and hiring by businesses. The 4-week moving average for jobless claims was at 0.39mn versus 0.4mn last week.
- New home prices in China rose by 0.6% (MoM) in May'21, unchanged from Apr'21, owing to local governments' price caps and sales discounts offered by developers. Prices rose in tier-1 cities, while remained flat in tier 2 and 3 cities. Despite government efforts to cool down the property market (curbs on loans to developers and increase in mortgage rates), prices on YoY basis have risen by 4.9% in May'21 from 4.8% in Apr'21.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell the most by 7bps (1.5%) as jobless claims rose for the first time since Apr'21. Germany's 10Y yield rose by 6bps (-0.2%). Crude prices fell by 1.8% (US\$ 73/bbl) as demand concerns weighed in with rising Covid-19 cases in UK. India's 10Y yield fell by 3bps (6.02%) as RBI bought a large quantum of benchmark security at higher than expected cut off price. It is trading flat today.
- Currency:** Except JPY (higher), other global currencies closed lower. DXY rose by 0.8% to 2-month high as Fed is likely to raise rates sooner than expected. GBP fell by 0.5% amidst concerns over rising Covid-19 cases. INR depreciated by 1% to a more than 1-month low, led by global cues. It is trading further lower today, while other Asian currencies are trading higher.
- Equity:** Barring Dax and Shanghai Comp, other global indices ended lower after Fed signalled a hawkish stance. Nikkei (0.9%) dropped the most followed by Dow (0.6%). Sensex (0.3%) too ended in red led by global cues and was further dragged down by power and metal stocks. However, it is trading higher today while other Asia stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|-----------------------------------------|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.50 | (7) | 7 | (14) | (20) | 80 |
| UK | 0.78 | 4 | 3 | (9) | (10) | 55 |
| Japan | 0.06 | 1 | 1 | (2) | (5) | 4 |
| Germany | (0.20) | 6 | 6 | (8) | 7 | 21 |
| India | 6.02 | (3) | 0 | 4 | (18) | 20 |
| China | 3.17 | 1 | 4 | 3 | (9) | 31 |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.21 | 0 | 7 | 6 | 6 | 2 |
| UK | 0.12 | 4 | 5 | 3 | 1 | 15 |
| Japan | (0.11) | 1 | 1 | 2 | 3 | 3 |
| Germany | (0.67) | 1 | 2 | (1) | 2 | (2) |
| India | 4.28 | 4 | (1) | (6) | (59) | (8) |
| China | 2.46 | 0 | 5 | 7 | (12) | 30 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1907 | (0.7) | (2.2) | (2.0) | (0.1) | 6.3 |
| GBP | 1.3922 | (0.5) | (1.8) | (1.5) | (0.0) | 12.1 |
| JPY | 110.21 | 0.5 | (0.8) | (0.9) | (1.2) | (3.0) |
| AUD | 0.7552 | (0.8) | (2.6) | (2.7) | (2.7) | 10.2 |
| INR | 74.08 | (1.0) | (1.4) | (1.2) | (2.1) | 2.7 |
| CNY | 6.4483 | (0.8) | (0.9) | (0.1) | 0.9 | 9.0 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 33,823 | (0.6) | (1.9) | (1.5) | 2.9 | 29.7 |
| FTSE | 7,153 | (0.4) | 0.9 | 1.7 | 5.5 | 14.9 |
| DAX | 15,728 | 0.1 | 1.0 | 2.2 | 6.4 | 28.1 |
| NIKKEI | 29,018 | (0.9) | 0.2 | 4.3 | (4.0) | 29.8 |
| Shanghai Comp | 3,526 | 0.2 | (2.4) | 0.2 | 1.8 | 19.9 |
| SENSEX | 52,323 | (0.3) | 0 | 5.5 | 6.3 | 53.0 |
| Brent (US\$/bbl) | 73.08 | (1.8) | 0.8 | 5.2 | 15.5 | 76.1 |
| Gold (US\$/oz) | 1,774 | (2.1) | (6.6) | (5.0) | 2.1 | 2.9 |
| CRB Index | 554.5 | (0.9) | (1.3) | 3.0 | 11.2 | 52.5 |
| Rogers Agri Index | 1,003.6 | (4.0) | (8.3) | (5.4) | 4.9 | 49.6 |
| LIBOR (3M)* | 0.12 | 0 | 1 | (3) | (6) | (18) |
| INR 5Y Swap* | 5.71 | 0 | 7 | (1) | (30) | 55 |
| India FII data (US\$ mn) | | | | | | |
| | 16 Jun | 15 Jun | WTD | MTD | CYTD | FYTD |
| FII-Debt | 16.5 | 23.3 | 7.5 | (248.0) | (2,828.6) | (801.3) |
| FII-Equity | (120.8) | 92.8 | 82.3 | 1,516.1 | 8,102.2 | 775.9 |

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

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