

MACRO DAILY

18 May 2021

Macro developments

- RBI sold net US\$ 5.7bn in the spot market in Mar'21 compared with net sale of US\$ 1.2bn. In FY21, RBI bought US\$ 68.3bn in the spot market versus US\$ 45.1bn in the same period last year. In the forwards market, RBI sold US\$ 0.4bn versus net purchase of US\$ 25.8bn in Feb'21. RBI's outstanding forward position stands at US\$ 72.8bn.
- Japan's GDP growth fell by 1.3% on QoQ basis in Q1CY21 versus est.: 1.2% decline and 2.8% increase in Q4CY20. The slowdown was owing to second state emergency implemented between Jan-Mar'21 and decline in government spending (1.6% decline versus 1.6% increase in Q4). Personal consumption fell by 1.4% in Q1 following 2.2% increase in Q4CY20. With reimposition of lockdown since 25 Apr 2021, analysts expect another contraction in Q2 versus 0.5% increase in growth projected earlier.
- RBA in its minutes revealed the Board remained committed to support the economy and not raise the cash rate till the actual inflation is 'within the sustainable target range of 2-3%'. This has to be supported by higher wage growth and would also require improvement in employment. The Board expects these conditions are unlikely to change by CY24.

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Markets

- **Bonds:** Global yields closed mixed amidst reopening of US and European economy and rising cases in Asian economies (India, Taiwan, Singapore). US 10Y yield rose by 2bps (1.65%). Crude prices rose by 1.1% (US\$ 69/bbl) amidst talks of Iran-US nuclear deal. India's 10Y yield fell by 1bps (5.97%) as RBI rejected all bids for 10Y benchmark security in its latest auction, signalling its intent to anchor bond yields. It is trading at 5.97% today.
- **Currency:** Barring AUD and CNY, global currencies closed higher against the dollar. DXY fell by 0.2% as Dallas Fed President reiterated that interest rates will remain low for the time being. GBP and JPY rose the most. INR gained by 0.1% following global cues. It is trading further higher today, in line with other Asian currencies.
- **Equity:** Except Shanghai Comp and Sensex, other global indices ended lower as investors continued to monitor rising Covid-19 cases globally. Sensex rose by 1.7% led by banking and power stocks. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.65	2	5	7	44	92
UK	0.87	1	8	10	29	61
Japan	0.09	0	0	(1)	0	9
Germany	(0.12)	1	10	15	27	35
India	5.97	(1)	(4)	(12)	(5)	20
China	3.14	1	0	(2)	(14)	42
2Y yields (Δ bps)						
US	0.15	1	0	(1)	4	(2)
UK	0.08	0	5	4	12	8
Japan	(0.13)	0	0	(1)	(1)	3
Germany	(0.66)	0	3	3	4	3
India	4.34	1	(2)	(29)	(24)	(18)
China	2.40	0	(6)	(16)	7	119
Currencies (Δ %)						
EUR	1.2152	0.1	0.2	1.4	0.2	11.4
GBP	1.4134	0.3	0.1	2.2	1.7	15.9
JPY	109.21	0.1	(0.4)	(0.4)	(3.6)	(1.7)
AUD	0.7764	(0.1)	(0.8)	0.4	(0.2)	19.0
INR	73.22	0.1	0.2	1.5	(0.7)	3.5
CNY	6.4390	0	(0.4)	1.3	0.8	9.4
Equity & Other indices (Δ %)						
Dow	34,328	(0.2)	(1.2)	0.4	8.9	39.6
FTSE	7,033	(0.2)	(1.3)	0.2	4.1	16.3
DAX	15,397	(0.1)	0	(0.4)	9.1	39.2
NIKKEI	27,825	(0.9)	(5.7)	(6.3)	(7.5)	38.2
Shanghai Comp	3,518	0.8	2.6	2.7	(4.3)	22.3
SENSEX	49,581	1.7	0.2	1.5	(4.9)	65.1
Brent (US\$/bbl)	69.46	1.1	1.7	4.0	9.7	99.5
Gold (US\$/oz)	1,867	1.3	1.7	5.1	2.6	7.8
CRB Index	538.6	0.1	(0.5)	4.5	13.1	47.4
Rogers Agri Index	1,060.8	(0.1)	(4.0)	7.2	10.8	60.6
LIBOR (3M)*	0.16	0	(1)	(3)	(4)	(22)
INR 5Y Swap*	5.72	7	11	12	(24)	61
India FII data (US\$ mn)						
	12 May	11 May	WTD	MTD	CYTD	FYTD
FII-Debt	16.6	61.0	51.0	254.6	(2,137.7)	(110.4)
FII-Equity	(338.3)	(159.8)	(241.5)	(780.6)	5,056.5	(2,269.8)

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

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