

MACRO DAILY

01 June 2021

Macro developments

- India's fiscal deficit (% of GDP) reached 9.3% in FY21 versus 9.5% estimated in FY21RE. The marginal decline from budgeted target was owing to higher than expected jump in tax revenues (Rs 20.2tn versus Rs 19tn in FY21RE). Indirect tax collections surprised positively (Rs 10.7tn versus Rs 9.9tn). Expenditure momentum was also maintained with spending up by 30.7% (Rs 35.1tn) versus 28.4% (Rs 34.5tn) in FY21RE.
- Manufacturing PMI in both Japan (53 in May'21 from 53.6 in Apr'21) and South Korea (53.7 from 54.6) moderated, albeit remaining in the expansion territory. The moderation was led by softer pace of increase in new orders and output. However in China, Caixin manufacturing PMI rose to 52 in May'21 from 51.9, supported by domestic and external demand. Input costs remained elevated. Employment was broadly stable.
- CPI inflation in Germany rose to a 10-year high of 2.5% in May'21 from 2% in Apr'21 on a YoY basis. This was driven by higher energy prices (10% versus 7.9% in Apr'21). Prices of services also rose by 2.2% in May'21 compared with 1.6% in Apr'21. HICP inflation (Harmonised Index of Consumer Prices) which is used by ECB rose to 2.4% in May'21, much above ECB's inflation target of ~2%.

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Markets

- Bonds:** Global 10Y yield closed mixed awaiting major macro data releases (PMI, inflation data) and lockdown restrictions in Asia. Crude prices fell by 0.4% (US\$ 69/bbl) on easing supply restrictions by OPEC+. India's 10Y yield rose by 2bps (6.02%) amidst news of Rs 1.58tn additional borrowing by Centre. It is trading flat today.
- Currency:** Except INR (lower) and CNY (flat), other global currencies closed higher. DXY fell by 0.2% as investors await US jobs report. GBP rose by 0.2% to a 3-year high as progress in vaccination raised hopes of a quick economic recovery. INR fell by 0.2% amidst FII outflows. It is however trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors continued to monitor higher inflation print, globally. Amongst other indices, Nikkei (1%) dropped the most. However, Sensex (1%) gained led by metal 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	1.59	(1)	(1)	(3)	18	94
UK	0.80	(2)	(2)	(5)	4	56
Japan	0.09	0	1	(1)	(7)	7
Germany	(0.19)	0	(5)	2	15	22
India	6.02	2	5	(1)	(19)	25
China	3.07	(1)	(1)	(8)	(18)	34
2Y yields (Δ bps)						
US	0.14	0	(1)	(2)	2	(2)
UK	0.06	0	3	(2)	(4)	7
Japan	(0.13)	0	0	0	(1)	0
Germany	(0.66)	0	(1)	2	3	(1)
India	4.27	(3)	(4)	(19)	(39)	(17)
China	2.36	4	(10)	(4)	(20)	74
Currencies (Δ %)						
EUR	1.2227	0.3	0.1	1.7	1.5	9.8
GBP	1.4212	0.2	0.4	2.8	2.1	13.8
JPY	109.58	0.2	(0.8)	(0.2)	(2.6)	(1.8)
AUD	0.7734	0.3	(0.2)	0.2	(0.5)	13.8
INR	72.62	(0.2)	0.5	2.0	1.3	3.9
CNY	6.3701	0	0.8	1.6	1.5	10.6
Equity & Other indices (Δ %)						
Dow	34,529	0.2	0.4	1.9	9.5	35.5
FTSE	7,023	0	(0.4)	0.8	6.6	13.9
DAX	15,421	(0.6)	(0.3)	1.9	10.1	33.1
NIKKEI	28,860	(1.0)	1.7	0.2	(2.7)	30.8
Shanghai Comp	3,615	0.4	3.4	4.9	1.8	24.0
SENSEX	51,937	1.0	2.5	6.5	4.2	56.0
Brent (US\$/bbl)	69.32	(0.4)	1.3	3.1	8.8	80.9
Gold (US\$/oz)	1,907	0.2	1.4	7.8	10.5	9.6
CRB Index	548.5	0.1	1.8	3.1	12.9	49.2
Rogers Agri Index	1,054.1	(0.2)	0.7	(1.4)	9.1	57.2
LIBOR (3M)*	0.13	0	(1)	(5)	(5)	(21)
INR 5Y Swap*	5.73	1	4	9	(11)	58
India FII data (US\$ mn)						
	28 May	27 May	WTD	MTD	CYTD	FYTD
FII-Debt	(187.4)	(130.9)	(375.9)	(114.6)	(2,506.9)	(479.6)
FII-Equity	58.1	6.1	423.6	36.9	5,874.1	(1,452.2)

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

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