

MACRO DAILY

01 March 2021

Macro developments

- RBI's data showed that credit demand moderated to 5.8% in Jan'21 against 5.9% in Dec'20. This was led by moderation in credit to services (8.4% in Jan'21 versus 8.8% in Dec'20), personal loans (9.1% versus 9.5%) and also industry (1.3% decline against 1.2% drop). Credit to housing also edged down to 7.7% in Jan'21 from 8.1% in Dec'20. Only credit offtake to agriculture went up by 9.9% from 9.4%.
- China's official manufacturing PMI eased to 50.6 in Feb'21 (est.: 51.1) from 51.3 in Jan'21, on the back of falling new export orders. New export order index for smaller firms showed deepening contraction (48.3 from 49.4). Employment index also fell to 48.1 from 48.4. Despite festive demand, non-manufacturing PMI edged down to 51.4 from 52.4 in Jan'21, with services index down at 50.8 versus 51.1 in Jan'21.
- France's GDP contracted at a faster pace than anticipated by 4.9% in Q4CY20 on a YoY basis from a decline of 3.7% in Q3CY20 led by sharp drop in household consumption expenditure. Separately, France CPI eased to 0.4% in Feb'21 from 0.6% in Jan'21. This was led by moderation in service inflation (0.7% versus 0.8% in Jan'21) and contraction in manufactured goods prices (0.5% from an increase of 0.8% in Jan'21).

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell by 12bps (1.4%) as Fed remained dovish on economic outlook. However yields may inch up in the current week as House passed US\$ 1.9tn stimulus package. Crude prices fell by 1.1% (US\$ 66/bbl) eyeing OPEC+ meeting. India 10Y yield rose by 5bps (6.23%) as investors were disappointed by lower than expected cut off price set by RBI. It is trading lower at 6.20% today.
- **Currency:** Global currencies fell sharply against the dollar amidst a broad-based sell-off in global equity markets. DXY rose by 0.8%. AUD fell the most by 2.1%. INR depreciated by 1.4% to a 2-month low. It is trading further lower today, while other Asian currencies are trading higher.
- **Equity:** Global indices ended lower as investors monitored the trajectory of US 10Y yield. Amongst other indices, Nikkei (4%) dropped the most. Sensex (3.8%) too ended in red led by sharp drop in banking and oil & gas stocks. However, 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 | 1.40 | (12) | 7 | 36 | 57 | 26 |
| UK | 0.82 | 4 | 12 | 53 | 54 | 38 |
| Japan | 0.16 | 1 | 5 | 12 | 13 | 32 |
| Germany | (0.26) | (3) | 5 | 28 | 33 | 35 |
| India | 6.23 | 5 | 10 | 34 | 32 | (14) |
| China | 3.28 | 1 | 1 | 8 | (4) | 55 |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.13 | (5) | 2 | 1 | (3) | (79) |
| UK | 0.13 | 2 | 14 | 24 | 17 | (18) |
| Japan | (0.11) | (2) | 0 | 2 | 3 | 14 |
| Germany | (0.66) | (1) | 2 | 8 | 9 | 11 |
| India | 4.72 | 1 | 17 | 23 | 80 | (88) |
| China | 2.56 | (1) | (5) | (10) | (36) | 59 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.2075 | (0.8) | (0.4) | (0.4) | 0.9 | 9.5 |
| GBP | 1.3933 | (0.6) | (0.6) | 1.5 | 4.7 | 8.7 |
| JPY | 106.57 | (0.3) | (1.1) | (2.2) | (2.4) | 1.2 |
| AUD | 0.7706 | (2.1) | (2.1) | 0.3 | 4.3 | 18.3 |
| INR | 73.47 | (1.4) | (1.1) | (0.6) | 0.8 | (1.8) |
| CNY | 6.4789 | (0.4) | (0.3) | (0.5) | 1.5 | 7.3 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 30,932 | (1.5) | (1.8) | 1.1 | 3.4 | 21.7 |
| FTSE | 6,483 | (2.5) | (2.1) | (0.7) | 1.8 | (1.5) |
| DAX | 13,786 | (0.7) | (1.5) | 0.9 | 3.4 | 15.9 |
| NIKKEI | 28,966 | (4.0) | (3.5) | 2.7 | 8.7 | 37.0 |
| Shanghai Comp | 3,509 | (2.1) | (5.1) | 0.1 | 3.0 | 21.8 |
| SENSEX | 49,100 | (3.8) | (3.5) | 4.7 | 11.2 | 28.2 |
| Brent (US\$/bbl) | 66.13 | (1.1) | 5.1 | 19.1 | 37.3 | 30.9 |
| Gold (US\$/oz) | 1,734 | (2.1) | (2.8) | (5.9) | (3.0) | 9.4 |
| CRB Index | 486.5 | (0.9) | 1.1 | 6.4 | 13.5 | 23.1 |
| Rogers Agri Index | 970.7 | (1.1) | 1.1 | 5.7 | 16.1 | 38.0 |
| LIBOR (3M)* | 0.19 | 0 | 1 | (2) | (4) | (127) |
| INR 5Y Swap* | 5.86 | (4) | (7) | 32 | 68 | (29) |
| India FII data (US\$ mn) | | | | | | |
| | 25 Feb | 24 Feb | WTD | MTD | CYTD | FYTD |
| FII-Debt | (279.7) | (239.3) | (564.8) | (868.4) | (1,366.8) | (5,460.4) |
| FII-Equity | 246.9 | (41.6) | 89.5 | 4,134.3 | 6,112.6 | 36,088.3 |

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

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