

MACRO DAILY

21 May 2021

Macro developments

- In order to protect farmers from the impact of rising global commodity prices, Government has hiked the fertilizer subsidy (DAP) by 140%. Global prices of phosphoric acid and ammonia used in the DAP has risen. The old price (Rs 1900/bag) excluding subsidy would have risen to Rs 2400/bag with the spike in prices, but will now be retained at Rs 1200/bag. This will cost an additional spending of Rs 147.75bn in kharif season'21.
- US Jobless claims fell to new pandemic low of 444,000 in the week ending 15 May 2021 versus 478,000 in the previous week. This is the lowest since 14 Mar 2020 (256,000). Both regular applications and those under emergency federal program saw a decline. However, the 4-week moving average rose to 3.68mn versus 3.66mn in the previous week.
- Japan's exports rose to an 11-year high at 38% in Apr'21 (est. 31% rise), from an increase of 16.1% in Mar'21 due to a favourable base effect. Exports of cars, auto parts and chip-making equipment increased, suggesting a revival in global demand. Region wise, exports to US (45.1%), EU (39.6%) and Asia (32.7%) rose the most. Imports also rose by 12.8% in Apr'21 from 5.8% in Mar'21.

Jahnvi | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed stable/lower. Germany and Japan's 10Y yield closed stable. US 10Y yield fell the most by 5bps (1.63%) as actual tapering seems distant. Crude prices fell by 2.3% (US\$ 65/bbl) amidst muted demand in Asia. India's 10Y yield fell by 1bps (5.97%) supported by G-SAP auction results. It is trading at 5.96% today.
- **Currency:** Except CNY (flat), other global currencies closed higher. DXY fell by 0.4% in line with a dip in US 10Y yield. AUD rose the most by 0.6% as Australia's unemployment rate fell more than expected in Apr'21. INR rose by 0.1% as oil prices eased. It is trading further higher today, in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp and Sensex, other indices ended higher led by stronger data print (US and Japan). Dax (1.7%) surged the most followed by FTSE (1%). Sensex on the other hand dropped by 0.7% led by metal 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	1.63	(5)	(3)	2	33	95
UK	0.84	(1)	(6)	8	22	67
Japan	0.09	0	(1)	0	(1)	8
Germany	(0.11)	0	1	13	24	39
India	5.97	(1)	(4)	(11)	(17)	19
China	3.09	(2)	(4)	(6)	(19)	43
2Y yields (Δ bps)						
US	0.15	(1)	(1)	(1)	4	(2)
UK	0.05	(3)	(5)	1	9	10
Japan	(0.12)	0	0	0	(1)	3
Germany	(0.65)	0	1	4	4	5
India	4.33	(1)	3	(26)	(22)	(19)
China	2.40	0	(6)	(16)	7	102
Currencies (Δ %)						
EUR	1.2228	0.4	1.2	1.6	1.1	11.7
GBP	1.4190	0.5	1.0	1.5	1.5	16.1
JPY	108.78	0.4	0.6	(0.6)	(2.9)	(1.1)
AUD	0.7776	0.6	0.6	0.2	0.1	18.4
INR	73.10	0.1	0.4	2.4	(0.6)	3.3
CNY	6.4348	0	0.3	1.2	0.8	9.6
Equity & Other indices (Δ %)						
Dow	34,084	0.6	0.2	0.0	8.2	39.3
FTSE	7,020	1.0	0.8	0.3	6.1	16.7
DAX	15,370	1.7	1.1	0.0	10.7	38.9
NIKKEI	28,098	0.2	2.4	(5.3)	(7.1)	36.7
Shanghai Comp	3,507	(0.1)	2.3	0.8	(4.6)	22.3
SENSEX	49,565	(0.7)	1.8	3.4	(3.4)	60.2
Brent (US\$/bbl)	65.11	(2.3)	(2.9)	(2.9)	1.8	80.6
Gold (US\$/oz)	1,877	0.4	2.8	6.0	5.7	8.7
CRB Index	541.1	0	0.5	4.7	13.2	47.1
Rogers Agri Index	1,052.0	0	(2.0)	6.0	9.6	58.2
LIBOR (3M)*	0.15	(1)	(1)	(4)	(3)	(21)
INR 5Y Swap*	5.71	(7)	6	20	(22)	52
India FII data (US\$ mn)						
	19 May	18 May	WTD	MTD	CYTD	FYTD
FII-Debt	52.0	(40.5)	32.2	286.9	(2,105.4)	(78.2)
FII-Equity	347.1	156.1	317.9	(462.8)	5,374.4	(1,951.9)

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com