

MACRO DAILY

22 June 2021

Macro developments

- As per CMIE data, unemployment rate in India (30-day moving average) dropped to 10.6% as of 21 Jun 2021 from 11.8% in the previous week. This was led by moderation in both urban (12.6% from 14.7%) and rural unemployment rate (9.7% from 10.4%). With the gradual lifting of lockdown restrictions across States and expectation of another Rs 3tn stimulus package by the government, this print is likely to improve further in the near term.
- As per UNCTAD's World Investment report, global FDI flows have fallen by ~35% to US\$ 1tn in CY20 from US\$ 1.5tn in CY19. This was skewed towards developed economies (58% drop in FDI). However, within developing economies, it fell at a softer pace of 8%, due to resilient flows in Asia. In China, FDI flows rose by 6% to US\$ 149bn. In India, it rose to US\$ 64bn in CY20 from US\$ 51bn in CY19, led by acquisitions in ICT.
- China's Central Bank (PBOC) in its latest decision left the key policy rate unchanged. The 1Y loan prime rate (LPR) remains unchanged at 3.85% and 5Y at 4.65%. However, PBOC has changed the way deposit rates are calculated by the banks by setting new ceilings, that will help lower the fundraising cost for them. News reports indicate that this will lower banks' costs by 0.7bps in CY21, by 1.7bps in CY22 and by 3bps in CY23.

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Markets

- Bonds:** Except Japan and China, global yields closed higher. US 10Y yield rose the most by 5bps (1.49%) awaiting Fed Chair's testimony before the Congress. Crude prices rose by 1.9% (US\$ 75/bbl) amidst uncertainty surrounding US-Iran talks aggravating supply concerns. India's 10Y yield rose by 2bps (6.03%) as MPC members raised concerns on elevated inflation and being data dependent. It is trading flat today.
- Currency:** Global currencies closed mixed, with GBP rising the most and INR depreciating the most. DXY fell by 0.4%. GBP rose (0.9%) ahead of BoE's rate decision. INR dropped by 0.3% as oil prices inched up. It is trading further lower today while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei, other global indices rebounded sharply and ended higher. Amongst other indices, Dow (1.8%) surged the most followed by Dax (1%) and FTSE (0.6%). Sensex (0.4%) too reversed its losses and ended in green as the country began the free inoculation drive for all its citizens. Power and real estate stocks advanced the most. 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	1.49	5	(1)	(13)	(21)	78
UK	0.77	2	3	(6)	(4)	58
Japan	0.05	(1)	1	(3)	(3)	4
Germany	(0.17)	3	8	(4)	14	27
India	6.03	2	3	5	(15)	15
China	3.11	(4)	(4)	4	(12)	19
2Y yields (Δ bps)						
US	0.25	0	10	10	11	6
UK	0.13	(1)	5	8	5	19
Japan	(0.11)	1	0	1	2	2
Germany	(0.65)	2	2	0	5	3
India	4.43	1	19	14	(36)	9
China	2.47	0	3	7	(10)	24
Currencies (Δ %)						
EUR	1.1919	0.5	(1.7)	(2.2)	(0.1)	5.8
GBP	1.3934	0.9	(1.3)	(1.5)	0.5	11.7
JPY	110.27	(0.1)	(0.2)	(1.2)	(1.3)	(3.1)
AUD	0.7535	0.7	(2.3)	(2.5)	(2.7)	9.1
INR	74.11	(0.3)	(1.1)	(1.7)	(2.4)	2.5
CNY	6.4669	(0.2)	(1.1)	(0.5)	0.6	8.5
Equity & Other indices (Δ %)						
Dow	33,877	1.8	(1.5)	(1.0)	3.5	30.2
FTSE	7,062	0.6	(1.2)	0.6	5.0	13.1
DAX	15,603	1.0	(0.4)	1.1	6.5	27.2
NIKKEI	28,011	(3.3)	(3.9)	(1.1)	(4.0)	24.8
Shanghai Comp	3,529	0.1	(1.7)	1.2	2.5	19.0
SENSEX	52,574	0.4	0	4.0	5.6	50.6
Brent (US\$/bbl)	74.90	1.9	2.8	12.7	15.9	73.9
Gold (US\$/oz)	1,783	1.1	(4.4)	(5.2)	2.5	1.6
CRB Index	554.6	0	(1.4)	2.6	9.4	52.8
Rogers Agri Index	1,028.8	0.1	(2.8)	(2.3)	7.1	52.8
LIBOR (3M)*	0.13	0	2	(1)	(6)	(16)
INR 5Y Swap*	5.68	(2)	2	3	(27)	50
India FII data (US\$ mn)						
	18 Jun	17 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(102.8)	(17.2)	(112.5)	(367.9)	(2,948.6)	(921.3)
FII-Equity	355.0	(123.9)	313.4	1,747.2	8,333.3	1,007.0

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

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