

## MACRO DAILY

24 June 2021

### Macro developments

- FDI equity inflows into India rose by 60% to US\$ 4.4bn in Apr'21 on a YoY basis. Mauritius remained the top investing country accounting for about 21% of the total equity inflows in Apr'21, followed by Singapore (21%) and Japan (11%). Sectorwise, inflows into computer hardware and software received about 24% of the total inflows, followed by services sector at 23%.
- Flash manufacturing and services PMI in the US and UK both fell to its 2-month low in Jun'21. In the US, manufacturing PMI dipped to 59.2 from 59.6 in May'21 and services PMI to 64.8 from 70.4. In UK, manufacturing PMI fell to 64.2 from 65.6 and services to 61.7 from 62.9. However, in the Eurozone, manufacturing PMI remained unchanged at 63.1 and services rose to its 41-month high of 58 from 55.2. Input prices rose sharply in all the economies and employment conditions were favourable.
- New home sales in the US fell by 5.9% (MoM) in May'21 to 0.77mn units (lowest since May'20) versus est.: 0.87mn and 0.82mn (-7.8%) units sold in Apr'21. Rise in prices of raw materials has pushed median price up by 18.1% (YoY), making it unaffordable for many despite lower mortgage rates. With rapid vaccination drive in the US and offices re-opening, demand for previously owned houses (including single family units) also fell for the 4th consecutive month in May'21.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (1.5%) as two Fed officials said that period of high inflation may last longer than expected. While UK and Japan's 10Y yield closed flat, Germany's 10Y yield fell by 2bps. Crude prices rose by 1.1% (US\$ 76/bbl) amidst expectation of demand recovery. India's 10Y yield closed flat at 6.02% and is trading at the same level.
- Currency:** Except EUR and JPY (lower), other global currencies closed higher. DXY rose by 0.1% as investors await US jobless claims and PPI data. EUR fell marginally by 0.1% even as Eurozone's flash composite PMI surged to a 15-year high in Jun'21. JPY depreciated by 0.3% as Japan's manufacturing PMI fell in Jun'21. INR rose by 0.1%. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp (higher) and Nikkei (flat), other global indices ended lower. Amongst other indices, Dax (1.2%) dropped the most. Dow slipped by 0.2% on the back of subdued PMI print. Sensex (0.5%) too was dragged down by oil and gas as well as metal stocks. However, it opened higher today while other Asian stocks are trading mixed.



**Fig 1 – Movement in key global asset classes**

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 1.50          | 4             | (8)        | (16)       | (16)        | 75          |
| UK                                      | 0.78          | 0             | 4          | (5)        | 2           | 57          |
| Japan                                   | 0.06          | 0             | 1          | (3)        | (3)         | 4           |
| Germany                                 | (0.18)        | (2)           | 7          | (3)        | 18          | 24          |
| India                                   | 6.02          | 0             | (3)        | 5          | (12)        | 12          |
| China                                   | 3.11          | 1             | (5)        | 3          | (11)        | 18          |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 0.26          | 3             | 5          | 7          | 8           | 4           |
| UK                                      | 0.07          | (3)           | 0          | 7          | 6           | 17          |
| Japan                                   | (0.11)        | 0             | 1          | 1          | 2           | 2           |
| Germany                                 | (0.65)        | (1)           | 2          | 1          | 6           | 1           |
| India                                   | 4.50          | 7             | 22         | 14         | (31)        | 10          |
| China                                   | 2.47          | 0             | 2          | 7          | (10)        | 24          |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1925        | (0.1)         | (0.6)      | (2.0)      | 0.8         | 5.6         |
| GBP                                     | 1.3961        | 0.1           | (0.2)      | (1.4)      | 1.4         | 11.4        |
| JPY                                     | 110.94        | (0.3)         | (0.2)      | (1.6)      | (1.9)       | (3.9)       |
| AUD                                     | 0.7575        | 0.3           | (0.5)      | (2.3)      | (0.9)       | 9.0         |
| INR                                     | 74.28         | 0.1           | (1.3)      | (2.1)      | (2.7)       | 1.7         |
| CNY                                     | 6.4727        | 0.1           | (1.2)      | (0.7)      | 0.5         | 8.2         |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| Dow                                     | 33,874        | (0.2)         | (0.5)      | (0.8)      | 4.7         | 29.8        |
| FTSE                                    | 7,074         | (0.2)         | (1.0)      | 1.0        | 5.8         | 12.2        |
| DAX                                     | 15,456        | (1.2)         | (1.6)      | 1.3        | 6.6         | 24.9        |
| NIKKEI                                  | 28,875        | 0             | (1.4)      | 2.0        | (0.4)       | 28.1        |
| Shanghai Comp                           | 3,566         | 0.2           | 1.4        | 2.0        | 4.3         | 19.8        |
| SENSEX                                  | 52,306        | (0.5)         | (0.4)      | 4.1        | 5.1         | 48.4        |
| Brent (US\$/bbl)                        | 75.62         | 1.1           | 1.7        | 12.6       | 23.1        | 75.5        |
| Gold (US\$/oz)                          | 1,779         | (0.3)         | (4.3)      | (5.4)      | 3.0         | 0.6         |
| CRB Index                               | 553.4         | (0.2)         | (1.0)      | 2.4        | 9.0         | 52.6        |
| Rogers Agri Index                       | 1,022.3       | (0.6)         | (2.9)      | (2.9)      | 6.3         | 52.0        |
| LIBOR (3M)*                             | 0.14          | 0             | 1          | (1)        | (6)         | (16)        |
| INR 5Y Swap*                            | 5.69          | 1             | (2)        | 4          | (26)        | 43          |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>22 Jun</b> | <b>21 Jun</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 27.8          | (18.2)        | 9.6        | (358.4)    | (2,939.0)   | (911.7)     |
| FII-Equity                              | (91.7)        | (128.8)       | (220.5)    | 1,526.7    | 8,112.8     | 786.5       |

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

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