

## MACRO DAILY

24 May 2021

### Macro developments

- RBI has transferred Rs 991.22bn as surplus to the government, for 9 months (Jul'20-Mar'21) against Rs 571.28bn in 2019-20 (Jul-Jun). RBI's calendar year, which was Jul-Jun previously, will now be in tune with the fiscal year (Apr-Mar). Further, the contingency risk buffer has been kept higher at 5.5% of balance sheet (4.9% previously) in view of the impact of Covid-19 pandemic. The higher surplus transfer could be a result of higher earnings from RBI's market operations.
- Flash global manufacturing PMIs for May'21 indicated that activity remained robust in the US (61.5 versus 60.6 in Apr'21) and UK (66.1 versus 60.9), while it slowed marginally in Japan (53.1 versus 54.3) and Eurozone (62.8 versus 62.9). Growth in both the US and UK was led by higher domestic orders. Services activity rose across all regions (except Japan) as economies re-opened.
- US existing home sales contracted for the 3rd month in a row by 2.7% in Apr'21 (3.7% in Mar'21) on a MoM basis to seasonally adjusted rate of 5.85mn units. The shortage in supply and high-demand pushed the median prices higher in Apr'21 to US\$ 341,600 (up by 19% from Apr'20). This is the largest annual increase and highest median price on record.

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### Markets

- **Bonds:** Global yields closed broadly mixed as PMI data improved in the US and UK, while it moderated in Japan. US 10Y yield closed stable at 1.62%. Crude prices rose by 2% (US\$ 66/bbl) on hopes of progress over US-Iran deal. India's 10Y yield rose a tad by 1bps (5.98%). It is trading flat today.
- **Currency:** Barring CNY (flat) and INR (higher), other global currencies closed lower. DXY rose by 0.2% as US flash manufacturing PMI rose in May'21. EUR fell by 0.4%, as ECB President hinted no major change in policy in the upcoming meet. INR rose by 0.4% to a 2-month high. It is trading lower today, while other Asian currencies are trading higher.
- **Equity:** Barring Shanghai Comp and FTSE (flat), other global indices ended higher led by stronger data print from Europe (services PMI). Sensex (2%) surged the most followed by Nikkei (0.8%). Banking and power stocks led gains in Sensex. 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
<b>10Y yields (Δ bps)</b>						
US	1.62	0	(1)	8	29	95
UK	0.83	(1)	(3)	9	13	66
Japan	0.08	0	(1)	1	(3)	8
Germany	(0.13)	(2)	0	12	18	37
India	5.98	1	(1)	(7)	(16)	20
China	3.07	(2)	(6)	(9)	(20)	41
<b>2Y yields (Δ bps)</b>						
US	0.15	1	1	1	5	(1)
UK	0.04	(1)	(4)	0	5	9
Japan	(0.12)	0	1	1	(1)	3
Germany	(0.65)	(1)	0	4	3	4
India	4.29	(3)	(4)	(27)	(25)	(22)
China	2.40	0	(6)	(16)	7	102
<b>Currencies (Δ %)</b>						
EUR	1.2182	(0.4)	0.3	1.4	0.5	11.3
GBP	1.4150	(0.3)	0.4	2.2	1.0	15.8
JPY	108.96	(0.2)	0.4	(0.9)	(3.3)	(1.3)
AUD	0.7732	(0.6)	(0.5)	0.3	(1.7)	17.8
INR	72.84	0.4	0.6	2.8	(0.3)	3.7
CNY	6.4340	0	0	0.9	0.4	9.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,208	0.4	(0.5)	1.2	8.6	39.8
FTSE	7,018	0	(0.4)	1.2	5.9	16.7
DAX	15,438	0.4	0.1	0.8	10.3	39.5
NIKKEI	28,318	0.8	0.8	(3.0)	(5.7)	37.8
Shanghai Comp	3,487	(0.6)	(0.1)	0.6	(5.7)	21.6
SENSEX	50,540	2.0	3.7	5.1	(0.7)	63.4
Brent (US\$/bbl)	66.44	2.0	(3.3)	1.6	5.6	84.2
Gold (US\$/oz)	1,881	0.2	2.1	5.5	5.4	8.9
CRB Index	540.6	(0.1)	0.5	3.5	12.4	46.9
Rogers Agri Index	1,052.7	0.1	(0.9)	1.4	9.7	58.3
LIBOR (3M)*	0.15	0	(1)	(3)	(3)	(21)
INR 5Y Swap*	5.65	(6)	0	17	(28)	46
<b>India FII data (US\$ mn)</b>						
	<b>20 May</b>	<b>19 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	14.4	52.0	46.6	301.3	(2,091.1)	(63.8)
FII-Equity	30.6	347.1	348.5	(432.2)	5,405.0	(1,921.3)

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

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