

MACRO DAILY

26 February 2021

Macro developments

- In India, cooking gas LPG prices rose for the third time in Feb'21. It was hiked by Rs 25/cylinder across all categories including subsidised fuel and those availed by Ujjwala scheme beneficiaries. Previously, prices rose by Rs 25/cylinder on 4 Feb and by Rs 50/cylinder on 15 Feb. Fuel and light with a weight of 6.84% in overall CPI basket is likely to exert pressure on the headline print.
- Japan's factory output rose to a 3-month high of 4.2% in Jan'21 (MoM) versus a 1% decline in Dec'20. General-purpose machinery and electronic parts and machines contributed most to the increase. Separately, retail sales fell by 0.5% in Jan'21 compared with a 0.7% dip in Dec'20 (MoM). This was due to muted consumer demand as emergency measures were imposed to curb resurgence in Covid-19 cases.
- US durable goods orders rose by 3.4% (MoM) in Jan'21 from 1.2% in Dec'20, supported by higher non-defence new orders, (2.3% from 1.4% in Dec'20). This was owing to pick up in demand for computers (8.7%) and electrical equipment (4.2%). Core business orders rose by 0.5% versus 1.5%. Separately, initial jobless claims eased to 0.73mn (est.: 0.84mn) for the week ending 20 Feb 2021 from 0.84mn in the previous week.

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Markets

- Bonds:** Except China (stable), global yields closed higher. US 10Y yield rose the most by 14bps (1.52%) supported by better durable goods orders and jobless claims data. Crude prices fell by 0.2% (US\$ 67/bbl) eyeing OPEC+ meeting scheduled next week. India's 10Y yield rose by 4bps (6.18%) taking global cues. It is trading higher at 6.21% today ahead of Rs 2tn reverse repo auction.
- Currency:** Barring CNY (flat) and EUR (higher), other global currencies closed lower. DXY closed flat even as US jobless claims fell more than expected. AUD fell the most by 1.2%. INR depreciated marginally by 0.1%. It is trading further lower today, in line with other Asian currencies.
- Equity:** Global indices ended mixed as investor monitored the surge in US 10Y yield led by optimism over sustainable economic recovery. While Dow dropped by 1.8%, Nikkei rose by 1.7%. Sensex (0.5%) inched up led by oil & gas and metal stocks. However, it is trading lower 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	1.52	14	22	49	64	26
UK	0.78	5	16	52	50	31
Japan	0.15	3	6	10	13	26
Germany	(0.23)	7	11	32	36	31
India	6.18	4	5	26	31	(19)
China	3.27	0	(1)	13	(3)	49
2Y yields (Δ bps)						
US	0.17	5	7	6	1	(89)
UK	0.11	8	15	24	15	(22)
Japan	(0.09)	1	3	3	6	12
Germany	(0.65)	3	4	8	10	8
India	4.71	4	17	18	80	(91)
China	2.57	(1)	(10)	24	(37)	60
Currencies (Δ %)						
EUR	1.2175	0.1	0.7	0.3	2.2	10.7
GBP	1.4015	(0.9)	0.3	2.5	4.9	8.8
JPY	106.21	(0.3)	(0.5)	(2.4)	(1.9)	3.1
AUD	0.7873	(1.2)	1.4	2.1	6.9	19.9
INR	72.43	(0.1)	0.3	0.7	2.0	(1.2)
CNY	6.4549	0	0.5	0.4	1.8	7.8
Equity & Other indices (Δ %)						
Dow	31,402	(1.8)	(0.3)	1.4	5.1	21.9
FTSE	6,652	(0.1)	0.5	0.2	4.5	(2.1)
DAX	13,879	(0.7)	(0.1)	1.7	4.5	12.2
NIKKEI	30,168	1.7	(0.2)	4.7	13.7	37.5
Shanghai Comp	3,585	0.6	(2.5)	(1.1)	6.4	19.8
SENSEX	51,039	0.5	(0.6)	5.6	15.3	28.4
Brent (US\$/bbl)	66.88	(0.2)	4.6	19.7	39.9	28.2
Gold (US\$/oz)	1,771	(1.9)	(0.3)	(4.6)	(2.5)	7.6
CRB Index	491.0	0.2	2.7	7.3	14.9	24.1
Rogers Agri Index	982.0	(1.0)	2.3	7.7	18.9	38.4
LIBOR (3M)*	0.19	0	1	(2)	(3)	(139)
INR 5Y Swap*	5.90	(3)	(3)	30	70	(33)
India FII data (US\$ mn)						
	24 Feb	23 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(239.3)	64.3	(285.1)	(588.7)	(1,087.1)	(5,180.7)
FII-Equity	(41.6)	(47.7)	(157.4)	3,887.4	5,865.6	35,841.4

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

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