

MACRO DAILY

28 May 2021

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 63.3bn and stood at Rs 29.4tn for the week ending 21 May 2021. Reserve money rose by 17.4% on a YoY basis, compared with 12.8% last year. On FYTD basis, reserve money increased by 4.9% against 3% increase, a year ago.
- Central Bank of Korea has decided to keep the policy rate unchanged at 0.5% for now. It has also revised upward its GDP forecast for CY21 to 4% from 3% projected in Feb'21. The Bank has also signalled possible shift in accommodative stance in the remaining part of CY21, depending upon trajectory of Covid-19 cases and sustained economic recovery.
- US GDP rose at an unrevised pace of 6.4% in Q1CY21 from 4.3% in Q4CY20. The upward revision in consumer spending was offset by downward revision in exports. In a separate print, US durable goods orders fell by 1.3% in Apr'21 from 1.3% increase in Mar'21, driven by computer chip shortage. US jobless claims on the other hand, fell to a new pandemic low of 406,000 for the week ending 22 May 2021 from 444,000.

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Markets

- **Bonds:** Barring Japan (flat), global yields closed higher. US 10Y yield rose by 3bps to 1.61% following the news of US\$ 6tn budget proposed by Biden administration and better than expected economic data. BoE official also indicated possible rate hike in early CY22 if growth continued to recover. Crude prices fell by 0.7% to US\$ 68/bbl. India's 10Y yield also rose by 2bps to 5.99% over fears of higher government borrowing. It is trading flat today.
- **Currency:** Global currencies closed mixed. DXY rose by 0.1% as US jobless claims fell more than expected. GBP gained 0.6% as BoE official hinted at earlier than expected rate hike. JPY depreciated by 0.6% as Covid-19 containment measures are likely to be extended. INR rose by 0.3% as second-wave seems to be plateauing. It is trading further higher today, while other Asian currencies are trading mixed.
- **Equity:** Global indices ended mixed. European indices ended lower as Germany's GfK consumer confidence rose less than expected. On the other hand, Dow rose by 0.4% led by strong data print (jobless claims). Sensex was up by 0.2% as Covid-19 cases continued to recede along with expectation of stimulus measures. 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	1.61	3	(1)	8	29	95
UK	0.80	5	(4)	9	13	66
Japan	0.08	0	(1)	1	(3)	8
Germany	(0.17)	3	(6)	12	18	37
India	5.99	2	2	(7)	(16)	20
China	3.09	3	0	(9)	(20)	41
2Y yields (Δ bps)						
US	0.14	(1)	(1)	1	5	(1)
UK	0.04	2	(1)	0	5	9
Japan	(0.13)	(1)	(1)	1	(1)	3
Germany	(0.65)	1	(1)	4	3	4
India	4.31	2	(2)	(27)	(25)	(22)
China	2.40	0	(6)	(16)	7	102
Currencies (Δ %)						
EUR	1.2192	0	(0.3)	0.8	0.2	10.8
GBP	1.4205	0.6	0.1	1.8	(0.2)	15.2
JPY	109.80	(0.6)	(0.9)	(1.2)	(3.1)	(1.3)
AUD	0.7740	0	(0.5)	0.1	(2.8)	16.9
INR	72.59	0.3	0.7	3.0	(0.6)	3.9
CNY	6.3698	0.3	1.0	1.6	1.0	10.8
Equity & Other indices (Δ %)						
Dow	34,465	0.4	1.1	0.8	7.4	34.3
FTSE	7,020	(0.1)	0	1.3	5.5	14.4
DAX	15,407	(0.3)	0.2	1.1	10.6	32.5
NIKKEI	28,549	(0.3)	1.6	(1.3)	(3.5)	33.7
Shanghai Comp	3,609	0.4	2.9	3.4	0.8	26.7
SENSEX	51,115	0.2	3.1	6.6	0.5	61.4
Brent (US\$/bbl)	68.41	(0.7)	5.1	4.2	2.7	98.2
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
India FII data (US\$ mn)						
	25 May	24 May	WTD	MTD	CYTD	FYTD
FII-Debt	(40.9)	(16.7)	(57.6)	203.7	(2,188.6)	(161.3)
FII-Equity	205.3	154.1	359.4	(27.3)	5,809.9	(1,516.4)

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

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