

MACRO DAILY

27 January 2021

Macro developments

- IMF has projected India's growth to rebound to 11.5% in FY22 from a decline of 8% in FY21, to be the fastest growing country in the world. Growth forecasts for FY21 and FY22 were revised upwards by 2.3% and 2.7% respectively, led by a revival in economic activity as lockdown restrictions were eased. Global growth is also expected to recover from 3.5% dip in CY20 to 5.5% in CY21 on the back of strong policy support and vaccine rollout.
- China's industrial profits rose by 20.1% in Dec'20 from 15.5% Nov'20. In CY20 profits have risen by 4.1% following 3.3% decline in CY19. After complete lockdown in Q1CY20, production recovered to meet pandemic related global demand. Profits of manufacturing sector rose by 7.6% and that of overall private sector rose by 3.1%. Earnings of SoEs fell by 2.9%.
- US Conference Board consumer confidence index rose to 89.3 in Jan'21 from 87.1 in Dec'20. This was led by rise in the short-term outlook index for income and labour market from 87 to 92.5. The current situation index however deteriorated further to 84.4 from 87.2 in Dec'20, as consumers expect job losses in the wake of raging Covid-19 cases.

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Markets

- Bonds:** Barring UK and Japan, global yields closed higher as IMF raised global growth forecast. US 10Y yield increased by 1bps (1.03%) as consumer confidence improved. Crude prices inched by 0.1% (US\$ 55.9/bbl) with a drop in US inventory. India's 10Y yield rose by 1bps (5.92%). It is trading lower at 5.91% today.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.2% as investors await comments from US Fed Chairperson. IMF's projection of a stronger than expected global recovery also boosted risk-sentiment. AUD and GBP rose the most by 0.4%. INR is trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed ahead of the Fed's rate decision. European indices ended in green. Shanghai Comp (1.5%) declined the most, amongst other indices. Sensex is trading lower today, while other Asian markets are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.03	1	(5)	11	27	(62)
UK	0.27	0	(2)	1	3	(29)
Japan	0.04	(1)	(2)	2	1	8
Germany	(0.53)	2	(1)	2	8	(19)
India	5.92	1	1	3	7	(66)
China	3.17	3	1	(2)	0	17
2Y yields (Δ bps)						
US	0.12	1	(1)	0	(2)	(134)
UK	(0.14)	(1)	(1)	(2)	(9)	(58)
Japan	(0.12)	0	(2)	1	1	0
Germany	(0.72)	0	(2)	(2)	5	(10)
India	4.52	2	6	64	33	(157)
China	2.60	27	21	(3)	(7)	37
Currencies (Δ %)						
EUR	1.2160	0.2	0.3	(0.3)	3.1	10.3
GBP	1.3736	0.4	0.8	1.3	5.3	5.4
JPY	103.62	0.1	0.3	(0.2)	0.8	5.1
AUD	0.7747	0.4	0.7	1.9	8.7	14.6
INR	72.95	0	0.3	0.8	1.0	(2.3)
CNY	6.4651	0.2	0.2	1.2	3.6	6.9
Equity & Other indices (Δ %)						
Dow	30,937	(0.1)	0	2.4	12.6	7.7
FTSE	6,654	0.2	(0.9)	2.3	16.1	(11.1)
DAX	13,871	1.7	0.4	2.1	15.0	4.1
NIKKEI	28,546	(1.0)	(0.3)	7.0	21.5	23.0
Shanghai Comp	3,569	(1.5)	0.1	6.1	9.7	19.9
SENSEX	48,348	(1.1)	(2.1)	2.9	19.3	18.0
Brent (US\$/bbl)	55.91	0.1	0.0	9.0	35.7	(6.0)
Gold (US\$/oz)	1,851	(0.3)	0.6	(1.7)	(3.0)	18.1
CRB Index	459.5	0.4	0.6	4.3	10.9	13.2
Rogers Agri Index	924.9	1.4	0.6	7.1	15.6	23.4
LIBOR (3M)*	0.21	0	(1)	(3)	0	(156)
INR 5Y Swap*	5.60	(4)	8	34	37	(108)
India FII data (US\$ mn)						
	22 Jan	21 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	239.1	297.8	58.6	(425.0)	(425.0)	(4,518.6)
FII-Equity	(114.9)	238.3	846.8	3,143.0	3,143.0	33,118.7

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Note: Indian markets were closed on 26 Jan 2021

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