

MACRO DAILY

28 January 2021

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 7.7bn and stood at Rs 28.1tn for the week ending 22 Jan 2021. Reserve money rose by 14.7% on a YoY basis, compared with 11.8% a year ago. On FYTD basis, reserve money increased by 10.6% as against 5.5% a year ago.
- US Fed kept policy rate unchanged at 0-0.25% in its latest meeting. It also kept its asset purchase program at its previous level of US\$ 120bn per month. The policy highlighted that financial conditions continued to be accommodative to support the economy. Downside risks to growth from the Covid-19 pandemic persist.
- Germany's GfK consumer confidence index for Feb'21 fell to (-) 15.6 from (-) 7.5 in Jan'21. All three sub-indices dropped with willingness to buy index falling from 36.6 in Jan'21 to 0 in Feb'21 and income expectation index declining from 3.6 to (-) 2.9 in Feb'21. Due to second wave of Covid-19, lockdown measures imposed since mid-Dec have been extended until mid-Feb, thus dampening the consumer confidence index.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell by 2bps (1.02%) as Fed highlighted concern about pace of recovery. UK and China's 10Y yield closed flat as investors remained cautious over travel restrictions. Crude prices fell by 0.2% (US\$ 56/bbl) due to demand concerns. India's 10Y yield fell by 1bps (5.91%). It is trading lower at 5.89% today.
- **Currency:** Except INR (flat), other global currencies closed lower. Slow vaccine rollout and concerns over economic recovery dented investor sentiments. DXY rose by 0.5% on safe-haven demand. EUR fell by 0.4% as ECB official suggested that rate cuts may be used to counter its recent appreciation. INR is trading lower today while other Asian currencies are trading mixed.
- **Equity:** Barring Nikkei and Shanghai Comp, other global indices ended lower. Amongst other indices, Dow (2%) dropped the most. Sensex (1.9%) too ended in red led by subdued global cues. It was further dragged down by banking and metal stocks. 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	1.02	(2)	(6)	9	25	(57)
UK	0.27	0	(3)	1	6	(25)
Japan	0.05	1	0	3	2	9
Germany	(0.55)	(1)	(2)	0	8	(17)
India	5.91	(1)	(1)	2	5	(67)
China	3.16	0	1	(3)	(2)	16
2Y yields (Δ bps)						
US	0.12	0	(1)	0	(3)	(129)
UK	(0.13)	1	(1)	(1)	(7)	(56)
Japan	(0.12)	1	0	1	0	1
Germany	(0.74)	(2)	(3)	(4)	5	(10)
India	4.51	(1)	2	63	30	(158)
China	2.59	(1)	12	(4)	(13)	36
Currencies (Δ %)						
EUR	1.2111	(0.4)	0	(0.7)	3.1	10.0
GBP	1.3687	(0.4)	0.2	0.9	5.4	5.1
JPY	104.11	(0.5)	(0.6)	(0.7)	0.2	4.5
AUD	0.7663	(1.1)	(1.1)	0.8	8.8	13.5
INR	72.92	0	0.1	0.8	1.3	(2.3)
CNY	6.4836	(0.3)	(0.3)	0.9	3.6	6.6
Equity & Other indices (Δ %)						
Dow	30,303	(2.0)	(2.8)	0.3	14.3	5.5
FTSE	6,567	(1.3)	(2.6)	1.0	17.6	(12.2)
DAX	13,620	(1.8)	(2.2)	0.2	17.8	2.1
NIKKEI	28,635	0.3	0.4	7.4	22.3	22.5
Shanghai Comp	3,573	0.1	(0.3)	5.2	9.3	20.1
SENSEX	47,410	(1.9)	(4.8)	0.9	18.8	15.1
Brent (US\$/bbl)	55.81	(0.2)	(0.5)	8.8	42.7	(6.7)
Gold (US\$/oz)	1,844	(0.4)	(1.5)	(2.1)	(1.8)	16.9
CRB Index	458.1	(0.3)	(0.1)	4.0	11.5	12.9
Rogers Agri Index	924.6	0	0.7	7.1	17.1	23.9
LIBOR (3M)*	0.22	1	0	(2)	0	(156)
INR 5Y Swap*	5.59	(1)	2	33	38	(113)
India FII data (US\$ mn)						
	25 Jan	22 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	55.3	239.1	55.3	(369.7)	(369.7)	(4,463.3)
FII-Equity	40.7	(114.9)	40.7	3,183.6	3,183.6	33,159.4

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

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