

MACRO DAILY

29 January 2021

Macro developments

- According to news reports, in the budget for FY22, capex spending target for 36 major CPSEs may get increased by 50-60% to Rs 7.5-8tn from Rs 4.95tn in FY21. Only a small part of this is estimated to be met through budgetary support, while the remaining part will be met through market borrowings and asset monetisation of CPSEs. Railway and NHAI are likely to see biggest jumps. In FYTD21 (Apr-Dec), of Rs 4.95tn, Rs 2.9tn has been invested by the CPSEs.
- US GDP rose by 4% in Q4CY20 (est.: 4.2%) against 33.4% in Q3. The increase in exports, non-residential fixed investment and personal consumption expenditure were offset by fall in government spending. At an annualised pace, GDP contracted by 3.5% in CY20, which has been the worst decline since WW II. In a separate print, US jobless claims fell by 67,000 to 847,000 for the week ending 23 Jan 2020.
- CPI inflation in Germany rose to a 10-month high at 1% in Jan'21 from a dip of 0.3% in Dec'20. The higher than estimated increase (est., +0.7%) was led by an increase in VAT and higher minimum wages. Analysts expect inflation to remain elevated in the near-term as lockdown restrictions are gradually eased.

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Markets

- Bonds:** Global yields closed mixed amidst speculation of quantum of fiscal stimulus in the US, stalled vaccine roll out and spread of new variant of Covid-19. US 10Y yield rose by 3bps (1.04%) supported by better jobless claims data. Crude prices fell by 0.5% (US\$ 56/bbl). Thus, India's 10Y yield fell by 2bps (5.89%). It is trading at 5.9% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% as risk sentiment improved led by more than expected fall in US jobless claims. CNY and AUD rose the most by 0.5% and 0.3% respectively. However, INR depreciated by 0.2% on the back of FII outflows. It is trading higher today while other Asian currencies are trading lower.
- Equity:** Barring Dow and Dax, other global indices ended lower. Dow rose by 1% supported by better than expected US jobless claims data. Sensex (1.1%) ended in red led by real estate stocks. However, 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	1.04	3	(6)	12	22	(54)
UK	0.29	2	(4)	3	7	(26)
Japan	0.04	(1)	0	2	1	10
Germany	(0.54)	1	(4)	3	10	(13)
India	5.89	(2)	(4)	1	1	(67)
China	3.20	3	5	3	1	19
2Y yields (Δ bps)						
US	0.12	0	0	0	(3)	(130)
UK	(0.11)	2	(1)	1	(6)	(62)
Japan	(0.12)	(1)	0	0	0	2
Germany	(0.75)	0	(5)	(4)	6	(9)
India	4.48	(3)	(2)	61	29	(160)
China	2.66	7	28	7	(6)	43
Currencies (Δ %)						
EUR	1.2122	0.1	(0.3)	(0.8)	3.8	9.9
GBP	1.3721	0.2	(0.1)	2.0	6.1	4.8
JPY	104.24	(0.1)	(0.7)	(0.4)	0.4	4.3
AUD	0.7683	0.3	(1.0)	1.4	9.3	14.3
INR	73.04	(0.2)	(0.1)	0.6	1.4	(2.2)
CNY	6.4495	0.5	0.2	1.3	4.0	7.1
Equity & Other indices (Δ %)						
Dow	30,603	1.0	(1.8)	0.7	14.8	6.0
FTSE	6,526	(0.6)	(2.8)	0.4	16.9	(11.6)
DAX	13,666	0.3	(1.7)	(0.9)	17.8	3.9
NIKKEI	28,197	(1.5)	(1.9)	5.0	20.9	22.7
Shanghai Comp	3,505	(1.9)	(3.2)	3.2	7.1	17.8
SENSEX	46,874	(1.1)	(5.5)	(1.0)	17.9	14.6
Brent (US\$/bbl)	55.53	(0.5)	(1.0)	9.2	47.5	(4.7)
Gold (US\$/oz)	1,843	0	(1.4)	(1.6)	(1.3)	17.1
CRB Index	458.1	(0.3)	(0.3)	3.8	11.6	13.2
Rogers Agri Index	918.3	(0.7)	(0.3)	6.6	17.2	24.2
LIBOR (3M)*	0.21	(1)	(1)	(3)	0	(155)
INR 5Y Swap*	5.54	(5)	(8)	27	35	(116)
India FII data (US\$ mn)						
	27 Jan	25 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(134.5)	55.3	(79.3)	(504.2)	(504.2)	(4,597.8)
FII-Equity	(92.4)	40.7	(51.8)	3,091.2	3,091.2	33,067.0

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

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