

MACRO DAILY

02 June 2021

Macro developments

- As per IMD, India is expected to receive normal to above normal rainfall that will be spatially distributed. IMD has also upgraded its forecast and expects LPA of 101% from an earlier estimate of 98% of LPA. North-West, Central and Southern peninsular India are expected to receive normal to above rainfall. Other climate factors such as El Nino and 'IOD' (Indian Ocean Dipole) remain neutral for monsoon.
- India's manufacturing PMI slipped to a 10-month low of 50.8 in May'21 from 55.5 in Apr'21 as the country battled second wave of Covid-19 infections. New orders rose at the slowest pace since Aug'20 on the back of subdued demand. Due to scarcity of raw materials, input cost and inflation was above its long-run average.
- Global manufacturing PMI improved a tad in May'21 to 56 from 55.9 in Apr'21. Out of 30 countries, 24 registered improvement in business conditions. Eurozone led the gains with final manufacturing PMI at 63.1 versus 62.9 in Apr'21. UK's final PMI too reached record high of 65.6 in May'21 up from 60.9 in Apr'21. Globally, firms reported upturn in output and sharp increase in new orders (at 11-year high).

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Except Japan and India, global yields closed higher. US 10Y yield rose by 1bps to 1.61% supported by better than estimated global manufacturing PMIs. Crude prices too rose by 1.3% (US\$ 70/bbl) on hopes of revival in demand. India's 10Y yield closed flat at 6.02% as investors await RBI's policy decision later in the week. It is trading flat today.
- Currency:** Most global currencies closed lower (except AUD and JPY). DXY closed flat, as improvement in US economic data revived debate over quicker normalisation of Fed policy. Gains in AUD (0.3%) were on the back of improving economic activity. INR fell by 0.4%. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Sensex (flat), other global indices ended higher as investors remained optimistic about global recovery (rebound in global PMI). Dax (0.9%) surged the most followed by FTSE (0.8%). Sensex closed flat and is trading lower today, while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.61	1	5	(2)	21	92
UK	0.83	3	4	(2)	14	60
Japan	0.08	0	1	(1)	(5)	7
Germany	(0.18)	1	(1)	2	17	24
India	6.02	0	5	(1)	(21)	26
China	3.09	1	1	(7)	(17)	27
2Y yields (Δ bps)						
US	0.15	1	1	(1)	3	(2)
UK	0.07	1	5	(1)	2	10
Japan	(0.11)	1	1	1	1	3
Germany	(0.66)	0	0	2	3	(1)
India	4.27	(3)	(2)	(19)	(39)	(15)
China	2.34	(2)	(12)	(6)	(22)	68
Currencies (Δ %)						
EUR	1.2213	(0.1)	(0.3)	1.6	1.0	9.3
GBP	1.4150	(0.4)	0	2.4	1.4	12.7
JPY	109.48	0.1	(0.6)	(0.2)	(2.6)	(0.7)
AUD	0.7754	0.3	0	0.5	(0.8)	12.4
INR	72.90	(0.4)	(0.2)	1.6	0.6	3.3
CNY	6.3812	(0.2)	0.5	1.4	1.4	10.1
Equity & Other indices (Δ %)						
Dow	34,575	0.1	0.8	2.1	10.1	34.3
FTSE	7,080	0.8	0.7	1.6	7.1	13.8
DAX	15,567	0.9	0.7	2.9	10.9	29.5
NIKKEI	28,814	(0.2)	0.9	0	(2.0)	29.1
Shanghai Comp	3,625	0.3	1.2	5.2	3.3	24.1
SENSEX	51,935	0	2.6	6.5	3.3	53.5
Brent (US\$/bbl)	70.25	1.3	2.3	4.5	12.0	77.5
Gold (US\$/oz)	1,900	(0.3)	0.1	7.4	9.3	10.0
CRB Index	552.0	0.6	2.8	3.7	12.6	49.6
Rogers Agri Index	1,075.6	2.0	3.7	0.6	10.5	60.2
LIBOR (3M)*	0.13	0	(1)	(5)	(5)	(20)
INR 5Y Swap*	5.72	(1)	5	8	(13)	54
India FII data (US\$ mn)						
	31 May	28 May	WTD	MTD	CYTD	FYTD
FII-Debt	(73.7)	(187.4)	(73.7)	(188.3)	(2,580.6)	(553.4)
FII-Equity	712.0	58.1	712.0	748.9	6,586.1	(740.3)

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com