

## MACRO DAILY

31 May 2021

### Macro developments

- As per CMIE data, India's unemployment rate (30-day moving average) jumped to its highest since Jun'20 at 11.58% as of 28 May 2021 from 10.26% last week. Both rural and urban unemployment rate rose considerably to 10.57% (from 9.4%) and 13.86% (from 12.17%) respectively. However, with easing Covid-19 cases (1.5mn versus 2mn last week) and gaining mobility, this data is likely to show improvement.
- Japan's industrial production rose by 2.5% in Apr'21 on a MoM basis from an increase of 1.7% in Mar'21. This was led by higher production of general purpose machinery (16.1%) and electrical machinery (10.9%). Demand for capital goods from China and US rose led by a recovery in growth. On the other hand, production in auto and transport equipment dipped.
- China's official manufacturing PMI eased a tad to 51 in May'21 from 51.1 in Apr'21. This was led by dip in new orders (51.3 from 52 in Apr'21), particularly export orders (48.3 from 50.4 in Apr'21). Surge in prices of raw materials, higher shipping costs and Yuan appreciation explain the drop. However, non-manufacturing PMI rose to 55.2 in May'21 from 54.9 in Apr'21.

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### Markets

- Bonds:** Global yields closed mixed. UK's 10Y yield fell by 2bps (0.8%) over rising new variant cases. US 10Y yield fell by 1bps (1.59%) as Senate passed less than expected infra stimulus. Crude prices rose by 0.2% (US\$ 70/bbl-highest since May'19) on hopes of revival in demand. India's 10Y yield rose by 2bps (6%) due to devolvement of benchmark security in the last auction. It is trading at 6.02% today ahead of fiscal data.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% as US inflation accelerated in Apr'21. EUR and JPY ended flat. INR rose for the 3<sup>rd</sup> straight session to a 2-month high amidst a decline in Covid-19 cases. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp and FTSE (flat), other global indices ended higher on the back of strong data print from US (jobless claims) and Europe (economic sentiment). Nikkei surged the most, amongst other indices. Sensex (0.6%) too ended in green led by gains in oil & gas stocks. It is trading further higher today while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.59	(1)	(3)	(3)	19	94
UK	0.80	(2)	(3)	2	(2)	61
Japan	0.08	0	0	0	(8)	8
Germany	(0.18)	(1)	(5)	7	8	26
India	6.00	2	3	(5)	(23)	24
China	3.09	1	2	(11)	(19)	40
<b>2Y yields (Δ bps)</b>						
US	0.14	0	(1)	(4)	1	(2)
UK	0.06	1	2	0	(7)	11
Japan	(0.12)	0	0	1	(2)	3
Germany	(0.66)	(1)	(1)	3	0	0
India	4.27	(3)	(2)	(23)	(45)	(12)
China	2.36	4	(10)	(4)	(20)	80
<b>Currencies (Δ %)</b>						
EUR	1.2192	0	0.1	0.8	1.0	9.8
GBP	1.4188	(0.1)	0.3	2.0	1.8	14.9
JPY	109.85	0	(0.8)	(1.1)	(3.1)	(1.9)
AUD	0.7712	(0.5)	(0.3)	(0.7)	0.1	15.7
INR	72.45	0.2	0.5	3.0	1.4	4.2
CNY	6.3685	0.2	1.0	1.8	1.7	10.8
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,529	0.2	0.9	1.6	11.6	36.0
FTSE	7,023	0.0	0.1	1.1	8.3	15.6
DAX	15,520	0.7	0.5	1.8	12.6	33.9
NIKKEI	29,149	2.1	2.9	0.5	0.6	33.2
Shanghai Comp	3,601	(0.2)	3.3	4.6	2.6	26.2
SENSEX	51,423	0.6	1.7	5.1	4.7	58.6
Brent (US\$/bbl)	69.63	0.2	4.8	4.8	5.3	97.1
Gold (US\$/oz)	1,904	0.4	1.2	7.2	9.8	10.0
CRB Index	548.5	0.1	1.5	2.5	12.7	49.4
Rogers Agri Index	1,054.1	(0.2)	0.1	(1.4)	8.6	57.5
LIBOR (3M)*	0.13	0	(1)	(4)	(5)	(21)
INR 5Y Swap*	5.72	6	7	19	(14)	59
<b>India FII data (US\$ mn)</b>						
	<b>27 May</b>	<b>25 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(130.9)	(40.9)	(188.5)	72.8	(2,319.5)	(292.2)
FII-Equity	6.1	205.3	365.5	(21.1)	5,816.0	(1,510.3)

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

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