

MACRO DAILY

03 June 2021

Macro developments

- RBI reported that currency in circulation (CIC) decreased by Rs 11.5bn and stood at Rs 29.6tn for the week ending 28 May 2021. Reserve money rose by 18.3% on a YoY basis, compared with 11.8% last year. On FYTD basis, reserve money increased by 2.9% against 3.4% increase, a year ago.
- Japan's services PMI fell to 46.5 in May'21 from 49.5 in Apr'21. This was led by sharp dip in new business orders due to spike in Covid-19 infections and imposition of a state of emergency. China's services PMI also declined to 55.1 in May'21 from 56.3 in Apr'21, led by dip in new export orders. However, employment and input costs picked up in both the economies.
- Australia's Q1CY21 GDP rose by 1.8% (est.: 1.5%) on QoQ basis versus 3.2% rise in Q4CY20. With Covid-19 infections in check, Australian economy has reached closed to pre-pandemic level, supported by private investment. It contributed 0.9ppt to growth and within this, machinery and equipment rose to its highest since Dec'09. Household spending also contributed 0.7ppt to growth. Separately, retail sales in Apr'21 rose by 1.1% on MoM basis, led by restaurant and cafes and household goods retailing.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except Japan and China, global yields closed lower. UK's 10Y yield fell the most by 3bps (0.8%) amidst concerns over rising Covid-19 cases. US 10Y fell by 2bps (1.59%) ahead of US jobs report. Crude prices rose by 1.6% (US\$ 71.4/bbl-highest since May'19) due to slow progress in Iran-US nuclear deal. India's 10Y yield fell by 2bps (6.01%) amidst reports of Rs 1.25-1.5tn of bond purchase announcement by RBI. It is trading flat today.
- **Currency:** Global currencies closed mixed. DXY rose by 0.1% ahead of US payrolls data. EUR, AUD and CNY closed flat. INR depreciated by 0.3% as oil prices hovered around 2-year high (US\$ 71.4/bbl). It is trading further lower today in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp and Sensex, other global indices ended higher led by hopes of economic recovery (US and Europe PMI). Nikkei (0.5%) gained the most, followed by FTSE (0.4%). On the other hand, Sensex fell by 0.2% led by tech stocks. It is however trading higher 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	1.59	(2)	1	(4)	11	84
UK	0.80	(3)	5	(4)	2	53
Japan	0.08	0	1	(1)	(4)	7
Germany	(0.20)	(2)	1	0	9	16
India	6.01	(2)	3	(2)	(23)	24
China	3.10	1	3	(6)	(16)	30
2Y yields (Δ bps)						
US	0.14	0	0	(1)	0	(5)
UK	0.06	(1)	4	(2)	(3)	7
Japan	(0.12)	(1)	1	0	(1)	2
Germany	(0.66)	0	0	2	2	(3)
India	4.30	1	1	(16)	(56)	(12)
China	2.35	1	(4)	(4)	(20)	42
Currencies (Δ %)						
EUR	1.2211	0	0.2	1.6	1.2	8.7
GBP	1.4171	0.1	0.4	2.5	1.6	12.7
JPY	109.56	(0.1)	(0.4)	(0.2)	(2.4)	(0.6)
AUD	0.7754	0	0.1	0.5	(0.3)	12.0
INR	73.08	(0.3)	(0.4)	1.4	(0.5)	3.2
CNY	6.3811	0	0.2	1.4	1.3	10.3
Equity & Other indices (Δ %)						
Dow	34,600	0.1	0.8	2.1	10.7	31.7
FTSE	7,108	0.4	1.2	2.0	6.5	11.4
DAX	15,603	0.2	1.0	3.1	10.8	24.9
NIKKEI	28,946	0.5	1.1	0.5	(2.1)	28.0
Shanghai Comp	3,597	(0.8)	0.1	4.4	0.6	23.0
SENSEX	51,849	(0.2)	1.6	6.3	0.8	52.0
Brent (US\$/bbl)	71.35	1.6	3.6	6.1	11.4	79.3
Gold (US\$/oz)	1,908	0.4	0.6	7.9	11.5	12.3
CRB Index	550.8	(0.2)	2.6	3.5	12.6	49.7
Rogers Agri Index	1,077.2	0.2	4.2	0.7	11.7	59.5
LIBOR (3M)*	0.13	0	(1)	(5)	(7)	(20)
INR 5Y Swap*	5.66	(6)	(1)	2	(25)	46
India FII data (US\$ mn)						
	1 Jun	31 May	WTD	MTD	CYTD	FYTD
FII-Debt	57.7	(73.7)	(16.1)	57.7	(2,523.0)	(495.7)
FII-Equity	72.0	712.0	784.0	72.0	6,658.1	(668.3)

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com