

MACRO DAILY

04 June 2021

Macro developments

- India's services PMI fell sharply in May'21 to 46.4 from 54 in Apr'21 due to localised lockdowns imposed by states in the wake of surging Covid-19 infections. New orders declined, with export orders declining at the fastest pace in 6 months. This also led to higher job shedding (fastest pace in 6 months). Activity wise, real estate and business services suffered the most. The 12-month ahead outlook also weakened to its lowest since Aug'20.
- Eurozone services PMI jumped to 55.2 in May'21 from 50.5 in Apr'21, due to easing Covid-19 restrictions. Ireland and Spain noted considerable gain. In a separate print, US ISM services PMI rose for the 12th-straight month to a record high of 64 in May'21 from 62.7. This was led by a broad-based recovery due to stimulus and faster pace of vaccination. However, for both US and Eurozone, input costs remained elevated.
- US jobless claims dipped for the 5th-straight week by 20,000 to 385,000 (est., 387,000) for the week ended 29 May 2021. This was the lowest level since mid-Mar'20 and suggests continued recovery in the labour market on the back of rapid vaccination and easing of restrictions. Separately, US private payrolls rose by 978,000 (1-year high) in May'21.

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Markets

- Bonds:** Except Japan (stable) and China (lower), global yields closed higher. US and UK's 10Y yield rose the most by 4bps at 1.63% and 0.84% respectively, supported by buoyant macro data. Crude prices fell by 0.1% to US\$ 71/bbl. India's 10Y yield fell by 1bps (6%), awaiting stimulus from RBI.
- Currency:** Except INR, other global currencies closed lower against the dollar. DXY rose by 0.7% to a 2-week high as US macro data (jobless claims, ISM services PMI) was better than expected. AUD fell the most by 1.2%. However, INR rose by 0.2% supported by FII inflows. Asian currencies are trading lower today.
- Equity:** Global indices ended mixed. FTSE (0.6%) dropped the most followed by Shanghai Comp (0.4%). However, Dax gained by 0.2% led by improvement in services PMI. Sensex (0.7%) too ended higher led by gains in consumer durable stocks. It is trading higher today while with other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.63	4	2	3	6	80
UK	0.84	4	3	0	11	54
Japan	0.08	0	0	(1)	(5)	5
Germany	(0.18)	2	(1)	2	13	14
India	6.00	(1)	1	0	(22)	24
China	3.09	(1)	1	(7)	(18)	25
2Y yields (Δ bps)						
US	0.15	1	1	0	1	(4)
UK	0.09	3	4	1	1	8
Japan	(0.12)	0	0	0	0	2
Germany	(0.67)	(1)	(1)	2	2	(6)
India	4.30	3	1	(14)	(54)	(10)
China	2.34	(1)	2	(6)	(22)	36
Currencies (Δ %)						
EUR	1.2127	(0.7)	(0.6)	0.5	1.3	7.0
GBP	1.4106	(0.5)	(0.7)	1.4	1.5	12.0
JPY	110.29	(0.7)	(0.4)	(1.1)	(2.1)	(1.0)
AUD	0.7658	(1.2)	(1.1)	(1.4)	(0.9)	10.3
INR	72.91	0.2	(0.4)	1.4	(0.1)	3.5
CNY	6.4038	(0.4)	(0.3)	1.1	1.0	9.9
Equity & Other indices (Δ %)						
Dow	34,577	(0.1)	0.3	1.4	11.8	31.6
FTSE	7,064	(0.6)	0.6	1.4	6.2	11.4
DAX	15,633	0.2	1.5	2.6	11.2	25.8
NIKKEI	29,058	0.4	1.8	0.9	0.4	28.0
Shanghai Comp	3,584	(0.4)	(0.7)	4.0	2.3	22.8
SENSEX	52,232	0.7	2.2	7.2	2.7	53.7
Brent (US\$/bbl)	71.31	(0.1)	2.7	5.6	6.8	78.3
Gold (US\$/oz)	1,871	(2.0)	(1.4)	4.3	10.2	9.1
CRB Index	547.6	(0.6)	0	2.7	12.4	48.6
Rogers Agri Index	1,069.7	(0.7)	1.3	0.1	11.1	57.0
LIBOR (3M)*	0.13	1	0	(4)	(4)	(18)
INR 5Y Swap*	5.49	(17)	(17)	(17)	(42)	33
India FII data (US\$ mn)						
	2 Jun	1 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(46.8)	57.7	(62.8)	10.9	(2,569.7)	(542.5)
FII-Equity	149.2	72.0	933.2	221.2	6,807.3	(519.0)

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

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