

MACRO DAILY

09 June 2021

Macro developments

- World Bank has upgraded India's growth forecast for FY22 to 8.3% from 5.4% earlier (Jan'21). It notes that while the second-wave of Covid-19 has severely impacted growth recovery, government push for infrastructure as well as a strong rebound in manufacturing and services sector will drive growth. In FY23, growth is expected to slow down to 7.5%. Global GDP is also expected to grow at a faster pace of 5.6% in CY21 versus 4.1% earlier.
- GDP in the Euro Area and EU contracted at a slower pace of 0.3% and 0.1% respectively in Q1CY21 against 0.6% and 0.4% decline in Q4CY20. This was driven by softer pace of decline in household consumption demand. Separately, Germany's ZEW economic sentiment fell to 79.8 in Jun'21 from 84.4 in May'21, driven by decline in expectation index.
- China's PPI rose by 9% in May'21 (est.: 8.5%; May'20: -3.7%) following 6.8% rise in Apr'21. Apart from base effect, higher commodity prices are driving the trend. Going forward, unfavourable base, easing supply chain bottlenecks and impact of slowing credit growth may ease price pressures in coming months. Separately, CPI remains contained as it rose by 1.3% in May'21 versus 0.9% in Apr'21. Core inflation also rose to 0.9% from 0.7%.

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Markets

- Bonds:** Except China (stable), global yields closed lower eyeing US inflation data and policy decision of ECB. US and UK's 10Y yield fell the most by 4bps each. Crude prices rose by 1% (US\$ 72/bbl) as EIA upgraded fuel consumption forecast for US to 1.49mbpd in CY21 from 1.39mbpd earlier. India's 10Y yield fell by 2bps (6.01%) taking global cues. It is trading flat today.
- Currency:** Except CNY (flat), other global currencies closed lower. DXY rose by 0.1% ahead of the US CPI data. EUR fell by 0.1% as Germany's economic sentiment index fell in Jun'21. INR fell by 0.1% as oil prices remain elevated. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring FTSE, other global indices ended lower. Dax slipped by 0.2% led by drop in Germany's economic sentiment index. Sensex (0.1%) too ended in red led by metal and banking stocks. However, it is trading higher; while 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	1.53	(4)	(7)	(4)	1	71
UK	0.77	(4)	(6)	(1)	4	43
Japan	0.08	(1)	(1)	(1)	(5)	6
Germany	(0.22)	(3)	(5)	(1)	8	9
India	6.01	(2)	(2)	(1)	(20)	23
China	3.14	0	5	(1)	(11)	32
2Y yields (Δ bps)						
US	0.15	0	0	1	(1)	(5)
UK	0.07	(2)	0	3	(2)	6
Japan	(0.12)	0	0	1	(0)	2
Germany	(0.67)	(1)	(1)	2	1	(6)
India	4.29	(2)	2	(6)	(58)	(13)
China	2.41	1	7	(9)	(17)	40
Currencies (Δ %)						
EUR	1.2173	(0.1)	(0.3)	0.1	2.3	7.3
GBP	1.4157	(0.2)	0	1.2	1.9	11.2
JPY	109.50	(0.2)	0	(0.8)	(0.9)	(1.6)
AUD	0.7742	(0.2)	(0.2)	(1.3)	0.4	11.2
INR	72.90	(0.1)	0	0.8	0.0	3.6
CNY	6.4005	0	(0.3)	0.5	1.6	9.6
Equity & Other indices (Δ %)						
Dow	34,600	(0.1)	0.1	(0.5)	8.7	26.9
FTSE	7,095	0.3	0.2	(0.5)	5.4	12.0
DAX	15,641	(0.2)	0.5	1.6	8.3	24.0
NIKKEI	28,964	(0.2)	0.5	(1.3)	(0.2)	25.4
Shanghai Comp	3,580	(0.5)	(1.2)	4.7	6.6	21.1
SENSEX	52,276	(0.1)	0.7	6.2	2.4	53.9
Brent (US\$/bbl)	72.22	1.0	2.8	5.8	7.0	75.4
Gold (US\$/oz)	1,893	(0.3)	(0.4)	3.4	10.3	10.4
CRB Index	554.5	0.6	0.5	2.1	12.9	50.4
Rogers Agri Index	1,092.0	0.4	1.5	(2.8)	12.6	60.0
LIBOR (3M)*	0.12	(1)	(1)	(4)	(5)	(19)
INR 5Y Swap*	5.64	5	(8)	4	(38)	52
India FII data (US\$ mn)						
	7 Jun	4 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(61.3)	(84.7)	(61.3)	(69.6)	(2,650.2)	(622.9)
FII-Equity	22.1	207.3	22.1	612.9	7,199.0	(127.4)

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

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