

## WEEKLY WRAP

10 May 2021

**Local restrictions impact economic activity**

**Global yields closed lower led by US where economic data was weaker than anticipated. With restrictions being removed from Europe, EUR rose by 1.2%. Global equity and commodity markets too were stronger on the anticipation that activity will improve. Indian yields too fell on the back of announcements by RBI and rising Covid-19 cases. Our weekly economy tracker has fallen by 7% from the previous week as local restrictions bite. In the coming week, markets will look at domestic inflation and production.**

Sameer Narang | Dipanwita Mazumdar  
 chief.economist@bankofbaroda.com

**Markets**

- **Bonds:** Global yields closed lower in the week led by US 10Y which fell by 5bps (1.58%) with lower than anticipated PMIs (ISM) and employment data. However, crude prices rose by 1.5% (US\$ 68/bbl) on expectation of revival in demand. India's 10Y yield fell by 2bps (6.02%) supported by announcements made by RBI. System liquidity surplus fell to Rs 4.7tn as on 7 May 2020 from Rs 5.1tn in previous week.
- **Currency:** Global currencies closed higher as weaker than expected US payroll data weighed on the dollar. DXY fell by 1.1%. EUR rose by 1.2% amidst opening up of economy after removal of restrictions. INR rose by 0.8% supported by global cues. FII outflows were US\$ 122mn.
- **Equity:** Barring Shanghai Comp, other global equity indices went up on the back of removal of restrictions in Eurozone and upbeat earnings. Dow (2.7%) surged the most followed by FTSE (2.3%) and Nikkei (1.9%). Sensex (0.9%) too ended in green led by metal and power stocks.
- **Covid-19 tracker:** Global Covid-19 cases rose by 5.4mn this week versus 5.6mn last week led by India, which added 2.7mn cases versus 2.6mn WoW. Our weekly economic activity tracker index dipped to 79 (100=Feb'20) from 85 in last week. Israel has vaccinated 63% of its population (single dose), UK at 52% and US at 45%. India is now at 9.7%.
- **Upcoming key events:** Markets await GDP estimates of UK along with US retail sales, PPI and industrial production. On the domestic front, IIP, CPI and WPI data will be released. Progress of vaccination, addition to Covid-19 case load and any change in local restrictions will drive markets.



## India macro developments

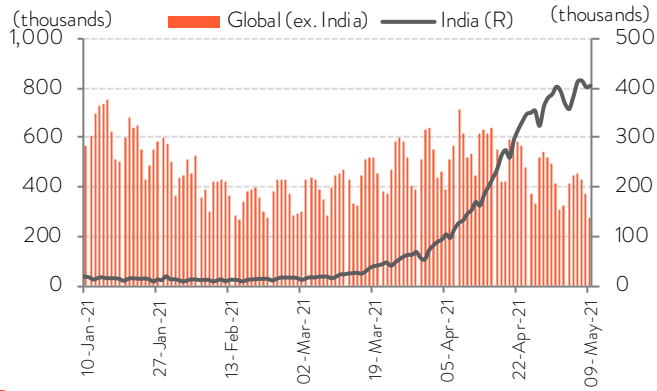
- India's exports rose by 80% between 1-7 May 2021 on a YoY basis following an increase of 197.1% in Apr'21, as per preliminary data. In May'20, exports contracted by 35.7%. Exports of gems and jewellery, jute, leather, electronics and engineering goods continue to see robust growth. Imports also rose by 80.7% between 1-7 May 2021, after increasing by 165.9% in Apr'21. However, imports had declined by 51% in May'20.
- India's manufacturing PMI reading rose a tad to 55.5 in Apr'21 from 55.4 in Mar'21. This was driven by upturn in new export orders which rose for the 8th consecutive month. However, there was slowdown in rate of growth of new orders and output owing to rising Covid-19 cases. Input prices rose at the steepest pace. Employment scenario also remained bleak.
- India's services PMI slipped to 54 in Apr'21 to a 3-month low, from 54.6 in Mar'21 amidst an increase in Covid-19 cases and lockdown restrictions. While new orders remained unchanged from Mar'21, business sentiment for the year-ahead fell. Input cost inflation rose to a 9.5 year high in Apr'21 but was not passed on to the consumers. Employment and new export orders continued to decline.
- As per CMIE data, India's unemployment rate rose to a 4-month high of 7.97% in Apr'21 from 6.5% in Mar'21. Both rural and urban unemployment rate rose considerably to 7.13% (4-month high) and 9.78% (8-month high) respectively, in Apr'21. Lockdown related restrictions have impacted the print. However, the numbers are still lower than the 23.5% unemployment rate seen in Apr'20, at the time of nationwide lockdown.
- RBI reported that currency in circulation (CIC) increased by Rs 76.3bn and stood at Rs 29tn for the week ending 30 Apr 2021. Reserve money rose by 16.9% on a YoY basis, compared with 10% last year. On FYTD basis, reserve money increased by 2.7% against 1.2% increase, a year ago.
- India and EU are expected to strengthen economic ties and cooperation in dealing with Covid-19 crisis in their upcoming meeting. Earlier, EU had already announced a € 2.2mn emergency funding to India to tackle the current crisis. Negotiations towards FTA on trade and investment promotion are likely to be discussed. EU is an important trading partner to India accounting for 19.5% of India's exports and 15% of imports.

## Global macro developments

- US non-farm payroll additions rose by 266,000 far less than estimated 978,000 in Apr'21. Even Mar'21 print has been revised downward to 770,000 from 916,000. Unemployment rate inched up to 6.1% from 6% in Mar'21. Labour force participation rate was at 61.7. However, average hourly earnings inched up by 0.7% from 0.1% decline in Mar'21.
- Eurozone manufacturing PMI print recorded fresh high of 62.9 in Apr'21 from 62.5 in Mar'21. This was led by sharp increase in new order books. Even new export orders picked pace. Netherland posted the largest gain followed by Germany. Both input prices and employment rose considerably. In a separate print, US ISM manufacturing index fell to 60.7 from 64.7 in Mar'21, led by new orders index and overall production.
- Eurozone services PMI print rose to 50.5 in Apr'21 from 49.6 in Mar'21. This was led by strengthening of business expectations due to reopening of the economy. However, countrywide performances remained divergent with Spain noting marked increase, while Germany and Italy experienced contractions. In a separate print, US ISM services PMI reading fell to 62.7 in Apr'21 from 63.7 in Mar'21 due to fall in supply deliveries index.
- Retail sales in Germany rose sharply by 7.7% in Mar'21 on a MoM basis (est. 3% increase) after an increase of 2.7% in Feb'21. This was the fastest pace of increase since Mar'20 when the Covid-19 pandemic began. On a YoY basis, retail sales jumped by 11% from a decline of 6.6% in Feb'21. Easing lockdown restrictions lifted sale of clothing and footwear (up by 27.7%). Online sales also continued to increase and rose by 42.9%.
- Germany's industrial production rebounded sharply by 5.1% in Mar'21 from a contraction of 6.8% in Feb'21 on a YoY basis. This was driven by improvement in intermediate (+11.1% vs -0.3% in Mar'21) and capital goods (+10.1% vs -8.9% in Mar'21). Separately, exports (16.1%) and imports (15.5%) too improved in Mar'21, signaling strong recovery in the coming months.
- Bank of England (BoE) in its latest policy kept benchmark rate unchanged at 0.1%. However, it slowed down its pace of asset purchase from £ 4.4bn/week to £ 3.4bn/week. This was on the back of revival in economic activity for which GDP projection has been revised upward to 7.25% in CY21 from 5% estimated earlier.
- China's export growth rose to 32.3% in Apr'21 (est. 24.5%) from 30.6% in Mar'21, rising for the 10th consecutive month. This was led by improvement in global demand particularly from advanced economies. Imports rose by 43.1% in Apr'21, registering the fastest pace of increase since Jan'11 and compared with 38.1% in Mar'21. Higher commodity prices and improvement in domestic economy boosted imports.

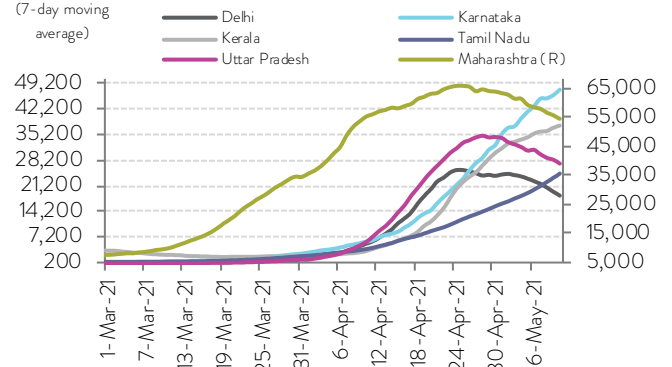
## High Frequency Indicators and Weekly Activity Tracker

**FIG 1 – INDIA’S CASES HAVE EXPLODED IN THE RECENT WEEKS**



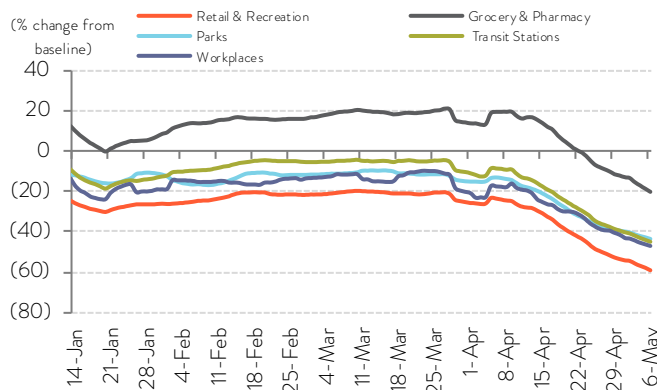
Source: Bloomberg, Bank of Baroda Research \*Data as of 9 May 2021

**FIG 2 – STATEWISE CASES CONTINUE TO SCALE UP**



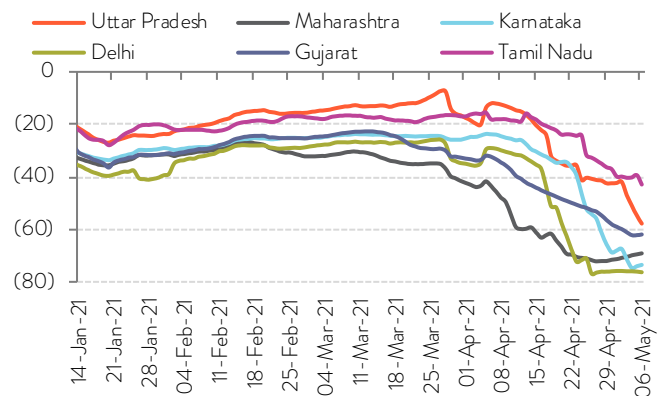
Source: CEIC, Bank of Baroda Research \*Data as of 9 May 2021

**FIG 3 – GOOGLE MOBILITY INDEX DIPPING**



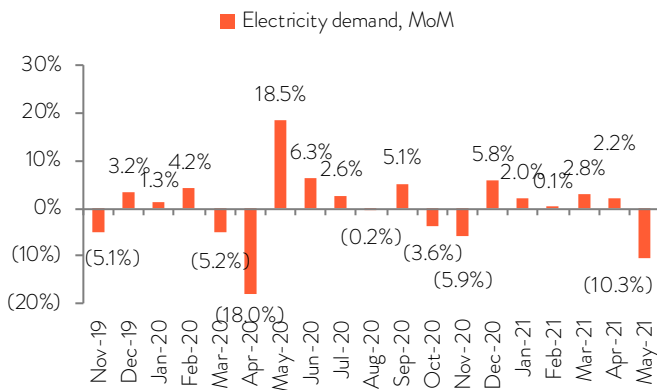
Source: CEIC, Bank of Baroda Research; \*Data as of 6 May 2021

**FIG 4 – IMPACT OF LOCALISED LOCKDOWN ON MOBILITY: RETAIL AND RECREATION**



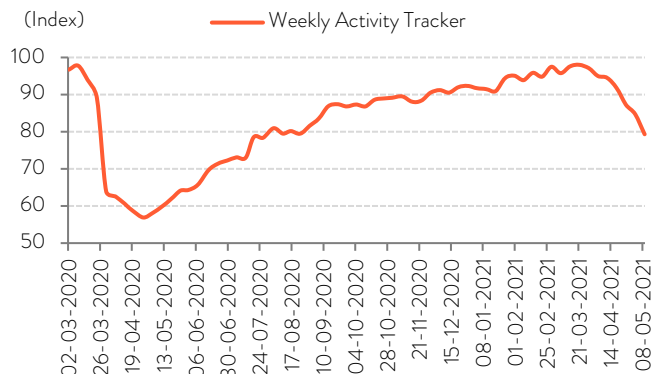
Source: CEIC, Bank of Baroda Research; \*Data as of 6 May 2021

**FIG 5 – ELECTRICITY DEMAND CONTINUES TO DIP**



Source: Bloomberg, Bank of Baroda Research; \*Data as of 9 May 2021

**FIG 6 – WEEKLY ACTIVITY TRACKER SHOWING A DIP**



Source: CEIC, Bank of Baroda Research, Note: Composite weighted average index of high frequency indicators

FIG 7 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>					
US	1.58	(5)	(8)	41	94
UK	0.78	(7)	(2)	29	54
Japan	0.09	(1)	(3)	3	8
Germany	(0.22)	(1)	10	23	33
India	6.02	(2)	(11)	(6)	(1)
China	3.15	0	(5)	(7)	54
<b>2Y yields (Δ bps)</b>					
US	0.14	(1)	(1)	4	1
UK	0.03	(5)	(4)	6	4
Japan	(0.13)	(1)	(2)	(1)	1
Germany	(0.69)	0	1	2	7
India	4.35	(11)	(19)	(28)	(4)
China**	2.40	(6)	(12)	(30)	122
<b>Currencies (Δ %)</b>					
EUR	1.2166	1.2	2.4	1.0	12.3
GBP	1.3984	1.2	1.2	1.8	13.1
JPY	108.60	0.6	1.0	(3.0)	(2.2)
AUD	0.7844	1.7	2.3	2.2	20.8
INR	73.51	0.8	(0.1)	(0.8)	3.0
CNY	6.4333	0.6	1.6	0.5	9.2
<b>Equity &amp; Other indices (Δ %)</b>					
Dow	34,778	2.7	4.0	11.7	45.7
FTSE	7,130	2.3	4.5	9.9	20.1
DAX	15,400	1.7	1.2	9.6	43.1
NIKKEI	29,358	1.9	(1.1)	2.0	49.2
Shanghai Comp	3,419	(0.8)	(1.8)	(2.2)	19.1
SENSEX	49,206	0.9	0.0	(3.0)	56.5
Brent (US\$/bbl)	68.28	1.5	8.8	15.1	131.8
Gold (US\$/oz)	1,831	3.5	5.0	0.9	6.7
CRB Index	542.9	2.0	6.9	17.7	51.6
Rogers Agri Index	1,122.9	5.0	18.6	20.4	71.0
LIBOR (3M)*	0.16	(2)	(4)	(3)	(27)
INR 5Y Swap*	5.60	(4)	(21)	(18)	34
<b>India FII data (US\$ mn)</b>					
	<b>6 May</b>	<b>WTD</b>	<b>Mar-21</b>	<b>CYTD</b>	<b>FYTD22</b>
FII-Debt	38.5	131.8	131.8	(2,260.6)	(233.3)
FII-Equity	146.9	(376.3)	(376.3)	5,460.9	(1,865.4)

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | \*\*1Y yield

FIG 8 – DATA RELEASE CALENDAR

Date	Event	Period	Estimate	Previous	Actual
10-May	Australia retail sales, % MoM	Mar F	1.4%	1.4%	1.3%
	China FDI CNY, % YoY	Apr	--	--	--
11-May	China CPI, % YoY	Apr	1.0%	0.4%	--
	China PPI, % YoY	Apr	6.5%	4.4%	--
	Phillipines GDP, % YoY	Q1CY21	(3.2%)	(8.3%)	--
	Italy industrial production, % MoM	Mar	0.5%	0.2%	--
	Germany ZEW survey expectations	May	72.0	70.7	--
	South Korea unemployment rate SA, %	Apr	3.9%	3.9%	--
12-May	UK GDP, % QoQ	Q1CY21	(1.6%)	1.3%	--
	Germany CPI, % YoY	Apr	2.0%	2.0%	--
	UK industrial production, % MoM	Mar	1.0%	1.0%	--
	France CPI, % YoY	Apr	1.3%	1.3%	--
	EU Commission economic forecasts		--	--	--
	Euro Area industrial production SA, % MoM	Mar	0.9%	(1.0%)	--
	India IIP, % YoY	Mar	19.5%	(3.6%)	--
	India CPI, % YoY	Apr	4.1%	5.5%	--
	US CPI, % MoM	Apr	0.2%	0.6%	--
	Japan current account balance, ¥ tn	Mar	2.8	2.9	--
13-May	US PPI final demand, % MoM	Apr	0.3%	1.0%	--
	US initial jobless claims, in thousands	08-May	495.0	498.0	--
	India WPI, % YoY	Apr	9.2%	7.4%	--
14-May	Hong Kong GDP, % YoY	Q1CY21	7.8%	7.8%	--
	India exports, % YoY	Apr	--	60.3%	--
	US retail sales advance, % MoM	Apr	1.0%	9.8%	--
	US industrial production, % MoM	Apr	1.0%	1.4%	--

Source: Bloomberg, Bank of Baroda

## 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.in](http://www.bankofbaroda.in)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)