

MACRO DAILY

15 June 2021

Macro developments

- RBI has released a consultative document for harmonising the regulatory framework for various regulated lenders in the microfinance space. The proposal includes freedom for MFIs to set interest rates through a board approved policy. It also suggested aligning the pricing guidelines for NBFCs-MFIs with NBFCs. Further, it has proposed introduction of a standard simplified factsheet on pricing of loans.
- RBA in its minutes for June meeting confirmed that reaching full employment remained a priority for the Bank and it would be “premature to consider ceasing” the bond buying program (set to expire in Sep’21). Members believe that inflation will not reach 2-3% band on a sustained basis until CY24. Thus, in the July meeting, focus will be to decide whether to extend/scale back the bond-buying program and the 3Y yield target.
- Japan’s industrial output rose by 2.9% in Apr’21 on a MoM basis from 1.7% in Mar’21. This was led by broad based improvement in general-purpose and business-oriented machinery (15.7% in Apr’21 from -4.9%), electrical machinery and communications equipment (10.4% in Apr’21 from -4.2% in Mar’21), and production machinery (7.7% in Apr’21 from -2.8%).

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Markets

- **Bonds:** Except China (lower) and Japan (stable), global yields closed higher. US 10Y yield rose by 4bps (1.51%) as consensus estimate predict Fed to announce asset purchase adjustment. Crude prices rose by 0.3% (US\$ 73/bbl) amidst news that US-Iran deal may get delayed. India's 10Y yield closed flat at 6.01%. It is trading higher at 6.03% today as CPI print surprised negatively.
- **Currency:** Global currencies closed mixed. DXY was flat awaiting Fed policy announcement. JPY fell by 0.4%. GBP closed flat even as UK delayed easing lockdown restrictions by a month. INR depreciated by 0.3%. It is trading higher today, while other Asian currencies are trading mixed.
- **Equity:** Global indices ended mixed as investors continued to monitor upcoming Fed policy meet. Dow (0.2%) ended lower, while FTSE gained by 0.2%. Sensex (0.1%) too ended in green with gains in FMCG and IT stocks. It is 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	1.51	4	(6)	(17)	(17)	78
UK	0.73	3	(7)	(13)	(11)	51
Japan	0.04	0	(5)	(4)	(9)	2
Germany	(0.25)	2	(5)	(11)	3	14
India	6.01	0	(1)	0	(22)	23
China	3.13	(2)	(1)	2	(11)	38
2Y yields (Δ bps)						
US	0.16	1	1	(1)	0	(5)
UK	0.06	1	(2)	(1)	(5)	10
Japan	(0.13)	(1)	(1)	1	1	2
Germany	(0.68)	1	(1)	(2)	0	(3)
India	4.24	(4)	(9)	(12)	(70)	(20)
China	2.44	2	8	4	(14)	45
Currencies (Δ %)						
EUR	1.2124	0.1	(0.5)	(0.3)	1.3	7.2
GBP	1.4112	0	(0.5)	(0.2)	1.3	11.9
JPY	110.06	(0.4)	(0.7)	(1.0)	(0.6)	(2.6)
AUD	0.7711	0	(0.6)	(1.7)	(0.7)	12.4
INR	73.29	(0.3)	(0.7)	0.4	(0.4)	3.6
CNY	6.3967	0	0	0.5	1.7	9.4
Equity & Other indices (Δ %)						
Dow	34,394	(0.2)	(0.7)	0.6	5.2	37.2
FTSE	7,147	0.2	1.0	2.7	5.5	17.4
DAX	15,674	(0.1)	0	3.8	8.2	31.1
NIKKEI	29,162	0.7	0.5	1.2	(2.6)	28.8
Shanghai Comp	3,590	(0.6)	(0.3)	4.3	4.0	22.9
SENSEX	52,552	0.1	0.4	6.7	3.3	56.5
Brent (US\$/bbl)	72.88	0.3	1.9	6.0	5.0	88.6
Gold (US\$/oz)	1,878	(1.1)	(0.7)	2.2	8.7	8.7
CRB Index	563.5	0.3	2.2	3.4	13.5	53.7
Rogers Agri Index	1,081.8	(1.1)	(0.5)	(2.8)	11.8	59.9
LIBOR (3M)*	0.12	0	(1)	(4)	(7)	(19)
INR 5Y Swap*	5.67	3	9	4	(24)	45
India FII data (US\$ mn)						
	11 Jun	10 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(9.7)	144.0	(247.1)	(255.4)	(2,836.0)	(808.8)
FII-Equity	14.4	197.6	843.0	1,433.9	8,019.9	693.6

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

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