

MACRO DAILY

05 February 2021

Macro developments

- Domestic petrol and diesel prices continued to increase in Feb'21. Base price of petrol and diesel shot up by 4.3% and 4.7% respectively on MoM basis against 2.8% and 3.1% in Jan'21. Even pump prices of petrol and diesel on an average rose to an all-time high of Rs 84.7/lt (1-4 Feb 2021) against Rs 83.3/lt in Jan'21. This was on the back of elevated crude prices (average of US\$ 58.1/bbl in Feb'21 versus US\$ 55.3/bbl in Jan'21).
- BoE has kept the bank rate (0.1%) and QE program of £895bn unchanged in its latest policy meeting. Noting the impact of second lockdown in UK, the bank has revised its GDP projection for Q1CY21 downward to contraction of ~4%. MPC also discussed the possibility of deploying negative rates after 6 months, if economic situation worsens.
- US durable goods orders rose for the 8th straight month in Dec'20 at 0.2% versus an increase of 1.2% in Nov'20 on a MoM basis. This was driven by machinery (2.4% versus 1.5%). New orders for non-defence capital goods excl. aircraft (proxy for business spending) rose by 0.7% versus 0.6% in Nov'20. Separately, US jobless claims for the week ending 30 Jan 2021 declined by 33,000 to 779,000 - its lowest level since Nov'20.

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Markets

- Bonds:** Global yields closed mixed. UK 10Y yield rose the most by 7bps (0.44%) as BoE said that negative interest rates may not prevail before 6 months. US 10Y yield closed stable at 1.14% supported by favourable labour market data. Crude prices rose by 0.7% (US\$ 59/bbl). India's 10Y yield fell by 1bps (6.07%). It is trading lower at 6.05% today.
- Currency:** Except INR (flat) and GBP (higher), other global currencies closed lower against the dollar. DXY ended higher by 0.4% as US jobless claims fell for the 3rd straight week. EUR depreciated by 0.6% even as Euro Area retail sales rose more than expected in Dec'20. INR is trading lower today, in line with Asian currencies.
- Equity:** Global indices ended mixed as investors turned their focus towards developments surrounding Covid-19 vaccine and monitored earnings reports. FTSE (0.1%) ended lower as BoE revised its growth projection downward. Sensex gained by 0.7% led by power and metal stocks. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|--------------|--------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.14 | 0 | 9 | 23 | 38 | (50) |
| UK | 0.44 | 7 | 15 | 27 | 21 | (14) |
| Japan | 0.06 | 0 | 2 | 4 | 4 | 8 |
| Germany | (0.45) | 1 | 9 | 15 | 18 | (8) |
| India | 6.07 | (1) | 18 | 25 | 21 | (37) |
| China | 3.24 | 3 | 4 | 6 | 5 | 40 |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.11 | (1) | (1) | 0 | (3) | (133) |
| UK | (0.03) | 6 | 9 | 13 | 2 | (51) |
| Japan | (0.12) | 0 | 1 | 0 | 1 | 1 |
| Germany | (0.71) | 0 | 3 | 1 | 7 | (8) |
| India | 4.58 | 0 | 10 | 72 | 46 | (124) |
| China | 2.70 | 2 | 4 | 22 | (3) | 47 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1964 | (0.6) | (1.3) | (2.3) | 1.2 | 8.9 |
| GBP | 1.3672 | 0.2 | (0.4) | 0.7 | 4.0 | 5.7 |
| JPY | 105.54 | (0.5) | (1.2) | (2.3) | (2.0) | 4.0 |
| AUD | 0.7600 | (0.2) | (1.1) | (0.8) | 4.4 | 12.9 |
| INR | 72.96 | 0 | 0.1 | 0.1 | 1.9 | (2.5) |
| CNY | 6.4718 | (0.2) | (0.3) | (0.2) | 2.0 | 7.2 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 31,056 | 1.1 | 1.5 | 2.8 | 9.4 | 5.7 |
| FTSE | 6,504 | (0.1) | (0.3) | (1.0) | 10.1 | (13.3) |
| DAX | 14,060 | 0.9 | 2.9 | 2.4 | 11.9 | 3.6 |
| NIKKEI | 28,342 | (1.1) | 0.5 | 4.0 | 17.6 | 18.7 |
| Shanghai Comp | 3,502 | (0.4) | (0.1) | 0 | 5.5 | 22.2 |
| SENSEX | 50,614 | 0.7 | 8.0 | 5.1 | 22.4 | 22.5 |
| Brent (US\$/bbl) | 58.84 | 0.7 | 6.0 | 15.2 | 43.8 | 7.1 |
| Gold (US\$/oz) | 1,794 | (2.2) | (2.7) | (7.7) | (8.0) | 14.5 |
| CRB Index | 463.5 | 0.1 | 1.4 | 3.9 | 11.7 | 14.5 |
| Rogers Agri Index | 929.8 | 0.5 | 1.3 | 4.9 | 16.0 | 26.2 |
| LIBOR (3M)* | 0.20 | 0 | (2) | (4) | (2) | (154) |
| INR 5Y Swap* | 5.70 | (2) | 16 | 36 | 61 | (81) |
| India FII data (US\$ mn) | | | | | | |
| | 3 Feb | 2 Feb | WTD | MTD | CYTD | FYTD |
| FII-Debt | 8.8 | (27.3) | (0.2) | (0.2) | (498.5) | (4,592.1) |
| FII-Equity | 367.6 | 933.0 | 1,553.8 | 1,553.8 | 3,532.0 | 33,507.8 |

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

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