

MACRO DAILY

19 May 2021

Macro developments

- RBI has stated that the second wave of Covid-19 has far reaching impact on aggregate demand, especially with respect to loss of mobility, discretionary spending and employment. It has further stated that the impact of new infections should be U shaped on various sectors. However, the loss of momentum will not be as severe as seen in the first wave. Our economic activity tracker has also seen a dip of 19% as of 14 May 2021 against 3% decline in Mar'21.
- US housing starts fell by 9.5% in Apr'21 on a MoM basis versus 19.8% increase in Mar'21. Labour shortage has resulted in supply disruptions and increase in lumber prices (89.7% YoY), which in turn has led to increase in home prices. Building permits rose only marginally by 0.3% in Apr'21 versus 1.7% in Mar'21.
- Euro Area GDP contracted by 0.6% in Q1CY21 on a QoQ basis, in line with the initial estimate. In Q4CY20, GDP declined by 0.7%. Except France, GDP growth declined in all major economies in the region. Separately, Euro Area's trade surplus from ROW narrowed to € 15.8bn in Mar'21 from € 29.9bn in Mar'20. While exports rose by 8.9% in Mar'21, imports rose more sharply by 19.2% in the same period.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (1.64%) as US housing data fell more than expected and investors await Fed minutes. UK 10Y yield closed stable ahead of CPI data. Crude prices fell by 1.1% (US\$ 69/bbl) on concerns of muted demand. India's 10Y yield closed stable at 5.98%. It is trading at 5.97% today.
- **Currency:** Global currencies closed higher against the dollar. DXY fell by 0.5% to a 5-month low ahead of FOMC meeting minutes. GBP rose by 0.4% as UK's unemployment rate eased between Jan-Mar'21. INR gained 0.2% to its highest since Mar'21 supported by lower oil prices. It is trading further higher today, in line with other Asian currencies.
- **Equity:** Global indices ended mixed. Dow fell by 0.8% led by weaker data print (US housing starts). Sensex rose by 1.2% led by drop in fresh cases of covid-19 and was further supported by gains in auto stocks. It is trading higher today 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	1.64	(1)	2	6	32	95
UK	0.87	0	4	10	25	62
Japan	0.09	0	1	(1)	0	8
Germany	(0.10)	1	6	16	25	36
India	5.98	0	(3)	(11)	(4)	20
China	3.13	(1)	0	(2)	(13)	39
2Y yields (Δ bps)						
US	0.15	0	(1)	(1)	3	(2)
UK	0.09	0	2	5	13	11
Japan	(0.13)	0	0	(1)	(2)	3
Germany	(0.64)	1	2	5	5	3
India	4.35	1	(1)	(27)	(21)	(17)
China	2.40	0	(6)	(16)	7	115
Currencies (Δ %)						
EUR	1.2222	0.6	0.6	2.0	1.0	11.9
GBP	1.4189	0.4	0.3	2.6	2.1	15.8
JPY	108.90	0.3	(0.3)	(0.1)	(2.7)	(1.1)
AUD	0.7792	0.4	(0.6)	0.7	0.4	19.2
INR	73.04	0.2	0.4	1.8	(0.5)	3.4
CNY	6.4257	0.2	0.1	1.5	0.5	9.5
Equity & Other indices (Δ %)						
Dow	34,061	(0.8)	(0.6)	(0.4)	8.1	40.7
FTSE	7,034	0	1.2	0.2	4.2	17.2
DAX	15,387	(0.1)	1.8	(0.5)	9.4	38.9
NIKKEI	28,407	2.1	(0.7)	(4.3)	(6.8)	39.0
Shanghai Comp	3,529	0.3	2.5	3.0	(4.0)	21.7
SENSEX	50,193	1.2	2.1	2.8	(3.7)	66.2
Brent (US\$/bbl)	68.71	(1.1)	0.2	2.9	8.5	98.3
Gold (US\$/oz)	1,869	0.1	1.7	5.2	4.2	7.1
CRB Index	542.1	0.6	(0.5)	5.2	13.8	47.3
Rogers Agri Index	1,065.8	0.5	(4.3)	7.7	11.3	60.6
LIBOR (3M)*	0.15	(1)	(1)	(4)	(4)	(22)
INR 5Y Swap*	5.76	4	14	16	(19)	63
India FII data (US\$ mn)						
	17 May	14 May	WTD	MTD	CYTD	FYTD
FII-Debt	20.8	16.6	20.8	275.4	(2,116.9)	(89.7)
FII-Equity	(185.3)	(338.3)	(185.3)	(965.9)	4,871.2	(2,455.1)

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

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