

## MACRO DAILY

19 March 2021

### Macro developments

- UNCTAD has revised India's growth forecast for CY21 upwards to 5% from 3.9% earlier. In CY20, GDP growth is expected to contract by 6.9% compared with a decline of 5.9% earlier. The recovery in CY21 will be led by public investment which will spur demand. Improvement in global demand will also be positive for exports and growth. Global growth is expected to improve to 4.7% in CY21 from a decline of 3.9% in CY20.
- BoE kept policy rates unchanged. It expects inflation to return to 2% in spring. Further, it noted that rate hike is not on the cards until inflation sustainably maintains the 2% target. BoJ in its latest policy also kept rates on hold. However, it undertook actions such as: controlling yield curve in the range of 0 to -0.25%, establishing interest scheme to promote lending and maintaining the pace of asset purchase program set during Covid-19.
- US jobless claims rose by 45,000 to 770,000 (est.: 700,000) for the week ending 13 Mar 2021 against 725,000 in the previous week. Claims have still remained elevated compared with the pre-pandemic level of 695,000. However, the 4-week moving average fell by 16,000 to 746,250, from the previous week's average.

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### Markets

- **Bonds:** Except China, global yields rose. US 10Y yield rose the most (7bps) followed by UK (5bps) as Fed revised inflation projections for CY21 upwards. Crude prices fell by 6.9% (US\$ 63/bbl) due to rising US crude inventories. India's 10Y yield rose by 1bps to 6.20% amidst reports of review of last auction in FY21. It is trading lower at 6.18% today.
- **Currency:** Global currencies closed broadly lower against the dollar. DXY rose by 0.5% in line with an increase in US 10Y yield. EUR fell by 0.5% amidst fears of a "third-wave" of infections in France. GBP also depreciated by 0.3% as BoE stated that growth outlook remains uncertain. INR closed flat. It is trading lower today, in line with other Asian currencies.
- **Equity:** Barring Sensex and Dow, other global indices ended higher. European indices gained on expectations that Fed will keep interest rates low. BoE also reiterated its pledge to keep rates low. Sensex fell by 1.2% as technology and real estate stocks tanked. It is trading further lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 1.71          | 7             | 17         | 50         | 78          | 57          |
| UK                                      | 0.88          | 5             | 14         | 30         | 59          | 15          |
| Japan                                   | 0.11          | 1             | 1          | 3          | 10          | 3           |
| Germany                                 | (0.26)        | 3             | 7          | 12         | 31          | (7)         |
| India                                   | 6.20          | 1             | (4)        | 18         | 31          | (21)        |
| China                                   | 3.26          | 0             | 1          | 1          | (4)         | 52          |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 0.15          | 2             | 1          | 4          | 3           | (30)        |
| UK                                      | 0.11          | 0             | 3          | 14         | 16          | (2)         |
| Japan                                   | (0.14)        | 0             | (3)        | (2)        | (2)         | 2           |
| Germany                                 | (0.69)        | 0             | 1          | 1          | 4           | (1)         |
| India                                   | 4.87          | (4)           | (2)        | 29         | 99          | (77)        |
| China                                   | 2.58          | 0             | (1)        | (7)        | (15)        | 65          |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1915        | (0.5)         | (0.6)      | (1.8)      | (2.9)       | 11.4        |
| GBP                                     | 1.3925        | (0.3)         | (0.5)      | 0.2        | 2.5         | 21.2        |
| JPY                                     | 108.89        | 0             | (0.4)      | (3.3)      | (5.6)       | 1.6         |
| AUD                                     | 0.7759        | (0.5)         | (0.4)      | (0.3)      | 1.8         | 35.1        |
| INR                                     | 72.53         | 0             | 0.5        | 0.2        | 1.4         | 3.3         |
| CNY                                     | 6.5069        | 0             | (0.2)      | (0.8)      | 0.4         | 8.5         |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| Dow                                     | 32,862        | (0.5)         | 1.2        | 4.5        | 8.4         | 63.6        |
| FTSE                                    | 6,780         | 0.3           | 0.6        | 0.3        | 3.5         | 31.6        |
| DAX                                     | 14,776        | 1.2           | 1.4        | 4.7        | 8.1         | 71.6        |
| NIKKEI                                  | 30,217        | 1.0           | 3.4        | 0.4        | 12.7        | 82.5        |
| Shanghai Comp                           | 3,463         | 0.5           | 0.8        | (5.3)      | 1.7         | 28.2        |
| SENSEX                                  | 49,217        | (1.2)         | (4.0)      | (5.6)      | 5.0         | 74.0        |
| Brent (US\$/bbl)                        | 63.28         | (6.9)         | (9.1)      | 0          | 22.9        | 122.3       |
| Gold (US\$/oz)                          | 1,736         | (0.5)         | 0.8        | (4.5)      | (7.9)       | 18.0        |
| CRB Index                               | 498.4         | 0.3           | (0.1)      | 6.0        | 13.9        | 33.4        |
| Rogers Agri Index                       | 957.0         | (1.4)         | (1.4)      | 1.7        | 13.2        | 46.4        |
| LIBOR (3M)*                             | 0.19          | 0             | 1          | 0          | (5)         | (101)       |
| INR 5Y Swap*                            | 6.01          | 1             | 1          | 4          | 71          | (32)        |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>17 Mar</b> | <b>16 Mar</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (29.5)        | 84.7          | 103.2      | (1,150.8)  | (2,635.0)   | (6,728.6)   |
| FII-Equity                              | 445.3         | 1,001.3       | 1,314.3    | 2,893.2    | 7,886.9     | 37,862.7    |

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

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