

MACRO DAILY

08 February 2021

Macro developments

- As per news reports, Centre is likely to incentivise states to pursue disinvestment in state government PSUs. In return, Centre will match incentives worth the same amount as their disinvestment proceeds. At the central level too aggressive disinvestment is being planned. Of the 348 CPSEs (249 operational), it is aimed that ~24 CPSEs will be left, with others either privatised/merged/closed.
- US non-farm payroll additions were at 49,000 in Jan'21, lower than estimated 50,000 but showed improvement compared with 227,000 fall in Dec'20. Unemployment rate fell to 6.3% from 6.7%. However, labour force participation rate was lower at 61.4 compared with 61.5 in Dec'20. Average hourly earnings on MoM basis dropped by 0.2% from 1% increase.
- Germany's factory orders declined (first in 7-months) by 1.9% (est.: 1.3% decline) on a MoM basis in Dec'20 from an increase of 2.7% in Nov'20. This was led by drop in both domestic (0.9%) and foreign orders (2.6%). Notably, compared with Feb'20 (month before lockdown), new orders (2.6%) were higher on calendar and seasonally adjusted basis.

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Markets

- Bonds:** Global yields closed mixed. UK 10Y yield rose by 4bps (0.48%) as sentiments continued to be impacted by BoE comments over negative interest rates prevailing not before 6-months. US 10Y yield rose by 2bps (1.16%). Crude prices rose by 0.8% (US\$ 59/bbl). India's 10Y yield closed flat at 6.07% supported by RBI's assurance on accommodative liquidity. It is trading flat today.
- Currency:** Except INR (flat), other global currencies closed higher. DXY fell by 0.5%, reversing 5 straight days of gains as US jobs data was weaker than expected. AUD rose the most by 1%. EUR also rose by 0.7% even as Germany's factory orders dipped more than anticipated in Dec'20. INR is trading higher today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors continued to monitor vaccine roll out and corporate earnings. Amongst other indices, Nikkei (1.5%) surged the most. Sensex (0.2%) continued to gain for the 5th straight session led by advancement in real estate and banking 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	1.16	2	10	21	35	(42)
UK	0.48	4	16	27	21	(9)
Japan	0.06	0	1	5	4	10
Germany	(0.45)	1	7	13	17	(6)
India	6.07	0	17	25	20	(37)
China	3.22	(2)	4	8	2	42
2Y yields (Δ bps)						
US	0.10	(1)	(1)	(2)	(5)	(130)
UK	(0.03)	0	8	12	1	(52)
Japan	(0.12)	0	(1)	1	2	3
Germany	(0.71)	0	2	1	7	(7)
India	4.63	4	15	77	51	(114)
China	2.70	0	2	26	(5)	47
Currencies (Δ %)						
EUR	1.2046	0.7	(0.7)	(2.0)	1.4	10.0
GBP	1.3735	0.5	0.2	0.8	4.4	6.5
JPY	105.39	0.1	(0.7)	(2.6)	(2.0)	4.0
AUD	0.7678	1.0	0.4	(1.0)	5.8	15.1
INR	72.93	0	0	0.3	1.7	(2.1)
CNY	6.4656	0.1	(0.6)	(0.1)	2.2	7.7
Equity & Other indices (Δ %)						
Dow	31,148	0.3	3.9	2.5	10.0	7.0
FTSE	6,489	(0.2)	1.3	(1.9)	9.8	(13.1)
DAX	14,057	0	4.6	3.0	12.6	4.0
NIKKEI	28,779	1.5	4.0	6.0	18.3	20.8
Shanghai Comp	3,496	(0.2)	0.4	(0.9)	5.6	21.6
SENSEX	50,732	0.2	9.6	4.7	21.1	23.3
Brent (US\$/bbl)	59.34	0.8	6.2	10.7	50.4	8.9
Gold (US\$/oz)	1,814	1.1	(1.8)	(7.0)	(7.0)	15.5
CRB Index	463.5	0.1	1.1	3.3	11.5	15.4
Rogers Agri Index	932.3	0.3	0.5	3.6	16.7	26.2
LIBOR (3M)*	0.19	0	(1)	(4)	(1)	(154)
INR 5Y Swap*	5.78	8	21	45	71	(67)
India FII data (US\$ mn)						
	4 Feb	3Feb	WTD	MTD	CYTD	FYTD
FII-Debt	54.8	8.8	54.6	54.6	(443.7)	(4,537.3)
FII-Equity	520.9	367.6	2,074.6	2,074.6	4,052.9	34,028.6

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

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