

MACRO DAILY

13 January 2021

Macro developments

- Recovery in India's industrial output hit a snag in Nov'20 as it fell by 1.9% following a 4.2% increase in Oct'20. CPI inflation too eased significantly to 4.6% in Dec'20 from 6.9% in Nov'20. This was driven by (-) 10% vegetable inflation. While the dip in CPI inflation is positive, some of it may not sustain with reversal in vegetable prices. Thus RBI will remain on hold.
- China's credit growth fell by 22.7% in Dec'20 on YoY basis versus 10% increase in Nov'20. Total aggregate financing eased to 1.72tn Yuan from 2.13tn Yuan in Nov'20. Bank lending eased significantly to 1tn Yuan from 1.5tn Yuan. Stock of outstanding credit growth eased to 13.3% in Dec'20, while M2 growth dropped to 10.1% from 10.7% in Nov'20. This can be explained by seasonal factors and gradual rollback of stimulus by PBOC.
- Unemployment rate in South Korea edged up to a 10-year high at 4.6% in Dec'20 versus 4.1% in Nov'20. The number of employed person also fell at its sharpest pace in about 22-years to 26.5mn in Dec'20, a decline of 628,000 from Dec'19. Job losses were most pronounced in restaurants and hotels sector (313,000) amidst a resurgence in Covid-19 cases.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 2bps (1.13%) as Boston Fed President said monetary policy will remain accommodative. UK 10Y yield rose the most by 4bps (0.35%) as rising Covid-19 cases raised hopes of higher stimulus. Crude prices rose by 1.7% (US\$ 57/bbl) due to falling US inventory. India's 10Y yield closed flat at 5.92%. It is trading lower at 5.89% today, supported by 15-month low CPI.
- Currency:** Global currencies closed higher. DXY fell by 0.4% as investors await more news on further stimulus. GBP rose the most by 1.1% after BoE Governor expressed concerns over the plausibility of negative rates. INR gained by 0.2% despite rising oil prices. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring FTSE and Dax, other global indices ended higher as investors continued to monitor the Covid-19 situation. Amongst other indices, Shanghai Comp (2.2%) surged the most. Sensex too inched up by 0.5% led by real estate and oil & gas 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	1.13	(2)	17	23	40	(68)
UK	0.35	4	14	18	11	(37)
Japan	0.04	1	3	3	1	3
Germany	(0.47)	3	11	17	9	(30)
India	5.92	0	9	2	1	(75)
China	3.15	(2)	1	(16)	(4)	4
2Y yields (Δ bps)						
US	0.14	0	2	3	1	(143)
UK	(0.08)	4	7	4	(3)	(57)
Japan	(0.11)	1	2	3	2	2
Germany	(0.69)	1	3	9	4	(11)
India	4.40	23	54	48	13	(181)
China	2.19	(5)	(25)	(64)	(42)	(13)
Currencies (Δ %)						
EUR	1.2207	0.5	(0.7)	0.8	3.9	9.7
GBP	1.3664	1.1	0.3	3.3	5.6	5.0
JPY	103.76	0.5	(1.0)	0.3	1.6	5.7
AUD	0.7772	1.0	0.2	3.2	8.5	12.6
INR	73.25	0.2	(0.1)	0.5	0.1	(3.4)
CNY	6.4636	0.3	(0.1)	1.3	4.2	6.1
Equity & Other indices (Δ %)						
Dow	31,069	0.2	2.2	3.4	8.3	7.4
FTSE	6,754	(0.7)	2.1	3.2	13.1	(11.4)
DAX	13,925	(0.1)	2.0	6.2	7.0	3.5
NIKKEI	28,164	0.1	3.7	5.7	19.3	17.2
Shanghai Comp	3,608	2.2	2.3	7.8	7.4	16.1
SENSEX	49,517	0.5	2.2	7.4	21.9	18.0
Brent (US\$/bbl)	56.58	1.7	5.6	13.2	33.3	(12.3)
Gold (US\$/oz)	1,855	0.6	(4.9)	0.8	(1.9)	19.9
CRB Index	454.5	0.9	1.3	4.3	10.7	10.7
Rogers Agri Index	912.4	2.0	1.4	9.8	18.9	19.2
LIBOR (3M)*	0.22	0	(1)	1	(1)	(162)
INR 5Y Swap*	5.56	6	23	33	27	(129)
India FII data (US\$ mn)						
	11 Jan	8 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(203.4)	22.4	(203.4)	(174.6)	(174.6)	(4,268.2)
FII-Equity	400.3	819.7	400.3	1,795.5	1,795.5	31,771.3

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

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