

MACRO DAILY

14 January 2021

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 27bn and stood at Rs 27.9tn for the week ending 8 Jan 2021. Reserve money rose by 14.3% on a YoY basis, compared with 11.8% a year ago. On FYTD basis, reserve money increased by 9.8% as against 5.1% a year ago.
- China's trade growth remained robust in Dec'20 as exports rose by 18.1% compared with 21.1% pick up in Nov'20. Lockdown in Europe increased demand for medical supplies and work from home equipment and shifted consumption pattern from services to goods, thus supporting exports. China's imports too improved, rising by 6.5% from 4.5% in Nov'20. In CY20, exports were up by 3.6% while imports fell by 1.1%.
- US CPI rose by 0.4% on MoM basis in Dec'20, in line with expectation and compared with 0.2% increase in Nov'20. This was led by rise in gasoline prices (8.4% increase versus 0.4% decline in Nov'20). Core CPI however edged up by only 0.1% from 0.2% in Nov'20. On YoY basis, CPI and core rose by 1.4% and 1.6% respectively.

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Markets

- **Bonds:** Except Japan, global yields closed lower as lockdown restrictions were extended in Germany and Netherland. Thus, Germany's 10Y yield fell by 5bps (-0.52%). Even US 10Y yield fell by 5bps (1.08%) as investors await details on US stimulus plan. Crude prices fell by 0.9% (US\$ 56/bbl) due to demand concerns. India's 10Y yield fell by 1bps (5.91%) supported by lower CPI print. It is trading at 5.90% today.
- **Currency:** Barring INR, other global currencies closed lower. DXY rose by 0.3% on hopes of higher US fiscal stimulus. AUD (down 0.5%) and EUR (down 0.4%) fell the most. INR rose by 0.1% as oil prices eased marginally. However, it is trading lower today in line with other Asian currencies.
- **Equity:** Global indices ended mixed as investors continued to monitor developments surrounding Covid-19 vaccine. Amongst other indices, while Nikkei (1%) gained, Shanghai Comp (0.3%) dropped the most. Sensex (0.1%) too ended in red driven by consumer durables stocks. It is trading lower 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	1.08	(5)	5	19	36	(70)
UK	0.31	(5)	6	14	9	(35)
Japan	0.04	0	2	3	1	3
Germany	(0.52)	(5)	0	11	6	(32)
India	5.91	(1)	6	1	1	(72)
China	3.14	(1)	0	(18)	(8)	4
2Y yields (Δ bps)						
US	0.14	0	1	3	0	(141)
UK	(0.11)	(3)	3	0	(6)	(57)
Japan	(0.11)	(1)	(1)	2	2	1
Germany	(0.71)	(1)	0	8	4	(12)
India	4.38	(2)	26	46	11	(180)
China	2.16	(3)	(26)	(67)	(48)	(14)
Currencies (Δ %)						
EUR	1.2157	(0.4)	(1.4)	0.4	3.5	9.0
GBP	1.3639	(0.2)	0.2	3.1	4.8	4.6
JPY	103.89	(0.1)	(0.8)	0.1	1.2	5.5
AUD	0.7733	(0.5)	(0.9)	2.7	8.0	12.0
INR	73.15	0.1	(0.1)	0.7	0.2	(3.3)
CNY	6.4683	(0.1)	(0.1)	1.2	3.7	6.1
Equity & Other indices (Δ %)						
Dow	31,060	0	0.7	3.4	8.9	7.0
FTSE	6,746	(0.1)	(1.4)	3.0	13.7	(11.7)
DAX	13,940	0.1	0.3	6.3	7.0	3.8
NIKKEI	28,457	1.0	5.2	6.8	20.4	19.0
Shanghai Comp	3,599	(0.3)	1.3	7.5	7.7	16.5
SENSEX	49,492	(0.1)	2.7	7.4	21.3	18.2
Brent (US\$/bbl)	56.06	(0.9)	3.2	12.2	29.4	(12.4)
Gold (US\$/oz)	1,846	(0.5)	(3.8)	0.3	(2.9)	18.6
CRB Index	453.8	(0.2)	1.3	4.1	10.5	10.7
Rogers Agri Index	915.6	0.3	1.5	10.2	18.3	20.0
LIBOR (3M)*	0.23	1	0	2	0	(160)
INR 5Y Swap*	5.58	2	17	35	29	(117)
India FII data (US\$ mn)						
	12 Jan	11 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(181.4)	(203.4)	(384.7)	(355.9)	(355.9)	(4,449.5)
FII-Equity	128.3	400.3	528.5	1,923.8	1,923.8	31,899.6

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

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