

MACRO DAILY

14 June 2021

Macro developments

- India's forex reserves rose by US\$ 6.8bn to a historic high of US\$ 605bn in the week ended 4 Jun 2021. With this, India is now at par with Russia (US\$ 605.2bn) as the world's fourth largest holder of forex reserves. In FYTD22, forex reserves have risen by US\$ 25.7bn versus US\$ 26.1bn in the same period last year.
- As per news reports, Ministry of Finance (MoF) has advised all ministries to cut their non-essential expenditure by 20%, taking expenditure in FY20 as baseline. The list of "controllable expenditure" includes items like, rents, overtime, domestic/foreign travel expense, administrative expenses etc. Previously in FY21, MoF had announced upto 40% reduction in non-essential spending between Apr-Nov'20, resulting in savings of Rs ~4tn.
- US consumer sentiment index (University of Michigan) rebounded to 86.4 in Jun'21 (est.: 84) from 82.9 in May'21. This was led by decline in unemployment and expectation of higher income, with the vaccine rollout and reopening of the economy. Further, consumer inflation expectations also moderated (1Y expectation fell to 4% from 4.6% earlier and 5-10Y expectation fell to 2.8% from 3% earlier).

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (1.45%) as consumer sentiment index improved in Jun'21. Japan's 10Y yield fell by 2bps (0.04%) as BoJ is likely to extend the stimulus program. Crude prices rose by 0.2% (US\$ 73/bbl) supported by economic recovery. India's 10Y yield fell by 1bps (6.01%) supported by details of GSAP. It is trading flat today.
- Currency:** Except INR (flat), other global currencies closed lower. DXY rose sharply by 0.5% as US consumer confidence rose more than expected. EUR fell by 0.5% on expectations of lower rates to continue. INR is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors turned their focus towards Fed's policy scheduled later this week. While Dow and Nikkei ended flat, European indices ended in green. Sensex rose by 0.3% led by strong gains in metal and technology stocks. It is trading lower today; 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	1.45	2	(10)	(17)	(17)	78
UK	0.71	(4)	(8)	(13)	(11)	51
Japan	0.04	(2)	(5)	(4)	(9)	2
Germany	(0.27)	(2)	(6)	(11)	3	14
India	6.01	(1)	(2)	0	(22)	23
China	3.15	2	2	2	(11)	38
2Y yields (Δ bps)						
US	0.15	0	0	(1)	0	(5)
UK	0.05	(1)	(2)	(1)	(5)	10
Japan	(0.12)	0	0	1	1	2
Germany	(0.68)	0	(1)	(2)	0	(3)
India	4.24	(4)	(9)	(12)	(70)	(20)
China	2.44	2	8	4	(14)	45
Currencies (Δ %)						
EUR	1.2109	(0.5)	(0.5)	(0.3)	1.3	7.2
GBP	1.4107	(0.5)	(0.4)	(0.2)	1.3	11.9
JPY	109.66	(0.3)	(0.1)	(1.0)	(0.6)	(2.6)
AUD	0.7708	(0.6)	(0.4)	(1.7)	(0.7)	12.4
INR	73.08	0	(0.1)	0.4	(0.4)	3.6
CNY	6.3987	(0.1)	(0.1)	0.5	1.7	9.4
Equity & Other indices (Δ %)						
Dow	34,480	0	(0.8)	0.6	5.2	37.2
FTSE	7,134	0.6	0.9	2.7	5.5	17.4
DAX	15,693	0.8	0	3.8	8.2	31.1
NIKKEI	28,949	0	0	1.2	(2.6)	28.8
Shanghai Comp	3,590	(0.6)	(0.1)	4.3	4.0	22.9
SENSEX	52,475	0.3	0.7	6.7	3.3	56.5
Brent (US\$/bbl)	72.69	0.2	1.1	6.0	5.0	88.6
Gold (US\$/oz)	1,878	(1.1)	(0.7)	2.2	8.7	8.7
CRB Index	563.5	0.3	2.2	3.4	13.5	53.7
Rogers Agri Index	1,081.8	(1.1)	(0.5)	(2.8)	11.8	59.9
LIBOR (3M)*	0.12	0	(1)	(4)	(7)	(19)
INR 5Y Swap*	5.67	3	9	4	(24)	45
India FII data (US\$ mn)						
	10 Jun	9 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	144.0	(287.1)	(237.5)	(245.7)	(2,826.3)	(799.1)
FII-Equity	197.6	81.9	828.6	1,419.5	8,005.6	679.2

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

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