

MACRO DAILY

01 April 2021

Macro developments

- India's eight core output contracted to a 6-month low of 4.6% in Feb'21 from an increase of 0.9% in Jan'21. This was led by across the board decline in output, with double digit contraction registered in refinery output at 10.9% in Feb'21. On FYTD basis, output dropped by 8.3% in Apr-Feb'21 from an increase of 1.3% last year. With this, IIP too is expected to be lower than anticipated in Feb'21.
- India's fiscal deficit for the centre (12MMA basis) rose to 6.7% in Feb'21 from 6.1% in Jan'21. This is on account of higher spending in Q4. Between Jan-Feb'21, overall spending has increased by 51.2% (YoY) compared with 28.9% increase in Q3. While capex has maintained momentum in Q3 and Q4, revenue spending is also gathering pace now. At the same time, revenue receipts have eased in Q4 (24.6%) compared with Q3 (62.8%).
- Japan's industrial production fell by 2.1% on MoM basis in Feb'21 (est.: 1.3% decline) versus 4.3% rise in Jan'21. Output was impacted by both earthquake and pandemic related restrictions. Decline was led by motor vehicles, electrical machinery and I&C equipment. Government expects production to have dropped further in Mar'21 by 1.9%.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (1.74%) as announcement of further fiscal stimulus lifted investors' sentiments. Germany's 10Y yield fell by 1bps (-0.29%) amidst rising cases. Crude prices fell by 0.9% (US\$ 64/bbl) as OPEC+ lowered their demand forecast for CY21. India's 10Y yield rose by 2bps (6.17%). Notably, centre's H1 borrowing has been kept at Rs 7.2tn and government has retained the inflation targeting for the next 5-years.
- Currency:** Except JPY (ended lower), other global currencies closed higher. DXY fell by 0.1% ahead of US jobless claims data. GBP rose by 0.3% supported by better employment data. INR also rose by 0.4% as oil prices eased. It is trading lower, while other Asian currencies are trading mixed.
- Equity:** Barring Dax (flat), other global indices ended lower led by concerns over new virus strains. Amongst other indices, Sensex (1.3%) declined the most led by banking and power stocks. However, 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	1.74	4	13	34	82	116
UK	0.85	2	9	3	63	53
Japan	0.10	0	2	(7)	7	8
Germany	(0.29)	(1)	6	(3)	28	17
India	6.17	2	1	(7)	30	3
China	3.19	(2)	0	(9)	5	63
2Y yields (Δ bps)						
US	0.16	1	1	3	4	(5)
UK	0.10	3	4	(2)	26	(2)
Japan	(0.12)	1	2	(2)	(1)	(2)
Germany	(0.69)	0	2	(3)	1	(5)
India	4.67	1	(4)	(5)	78	(61)
China	2.53	(2)	(2)	(3)	2	88
Currencies (Δ %)						
EUR	1.1730	0.1	(0.7)	(2.9)	(4.6)	7.0
GBP	1.3783	0.3	0.7	(1.1)	1.2	11.4
JPY	110.72	(0.3)	(1.8)	(3.9)	(7.3)	(3.3)
AUD	0.7598	0	0.2	(1.4)	(1.1)	25.2
INR	73.11	0.4	(0.8)	0.5	0.3	3.2
CNY	6.5528	0.3	(0.4)	(1.1)	(0.5)	7.7
Equity & Other indices (Δ %)						
Dow	32,982	(0.3)	1.7	6.6	8.5	57.5
FTSE	6,714	(0.9)	0	3.6	2.4	23.1
DAX	15,008	0	2.7	8.9	9.4	57.2
NIKKEI	29,179	(0.9)	2.7	0.7	6.3	61.5
Shanghai Comp	3,442	(0.4)	2.2	(1.9)	0.8	25.9
SENSEX	49,509	(1.3)	0.7	0.8	3.7	75.2
Brent (US\$/bbl)	63.54	(0.9)	(1.4)	(3.9)	23.8	156.8
Gold (US\$/oz)	1,708	1.3	(1.6)	(1.5)	(9.9)	7.3
CRB Index	506.7	0.3	0	4.1	14.3	38.9
Rogers Agri Index	952.0	2.2	(0.9)	(1.9)	8.2	48.1
LIBOR (3M)*	0.20	0	1	1	(4)	(123)
INR 5Y Swap*	5.84	4	(5)	(2)	52	(1)
India FII data (US\$ mn)						
	26 Mar	25 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	118.9	6.5	480.2	(756.0)	(2,240.2)	(6,333.8)
FII-Equity	54.6	(397.7)	(530.6)	2,627.4	7,621.2	37,596.9

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

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