

MACRO DAILY

20 May 2021

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 17.8bn and stood at Rs 29tn for the week ending 14 May 2021. Reserve money rose by 17.2% on a YoY basis, compared with 9.9% last year. On FYTD basis, reserve money increased by 3.9% against 2.2% increase, a year ago.
- US Fed in its latest minutes highlighted that if the economy continues to make rapid progress towards fulfilling the dual mandate of inflation (2% target) and full employment, it might consider “adjusting the pace of asset purchases”. For inflation, FOMC members believe that the upside pressure is transitory. Members also highlighted that risks to growth have faded considerably in comparison to last policy.
- Euro Area’s CPI in Apr’21 rose by 1.6% on YoY basis (same as preliminary estimates) versus 1.3% in Mar’21, driven mainly by higher energy prices (10.4% versus 4.3% in Mar’21). Core inflation however eased in Apr’21 to 0.7% from 0.9% in Mar’21 as prices of services moderated (0.9% from 1.3%).

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Markets

- **Bonds:** Except US, global yields closed lower amidst renewed concerns of rising Covid-19 cases in Asia. US 10Y yield rose by 3bps (1.67%) as FOMC members hinted at adjusting the asset purchase program. Crude prices fell by 3% (US\$ 67/bbl) on fear of muted demand. India’s 10Y yield closed flat at 5.98%. It is trading at 5.97% today, ahead of G-SAP auction.
- **Currency:** Global currencies closed lower. After falling for 3-straight sessions, DXY rose by 0.5% as FOMC members discussed tapering its stimulus. GBP fell by 0.5% as CPI inflation accelerated in Apr’21. INR depreciated by 0.2%. However INR is trading higher today, while other Asian currencies are trading mixed.
- **Equity:** Global indices ended lower as investors continued to monitor concerns over higher inflation. Amongst other indices, Dax (1.8%) declined the most followed by Nikkei (1.3%). Sensex dropped by 0.6% led by auto and metal stocks. However, 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	1.67	3	(2)	9	40	99
UK	0.85	(2)	(4)	8	28	62
Japan	0.08	(1)	0	(1)	(2)	8
Germany	(0.11)	(1)	1	15	26	36
India	5.98	0	(3)	(11)	(6)	19
China	3.12	(2)	(2)	(4)	(15)	44
2Y yields (Δ bps)						
US	0.16	1	(1)	(1)	5	(1)
UK	0.08	(1)	(3)	3	12	9
Japan	(0.12)	1	0	(1)	(2)	3
Germany	(0.65)	0	1	4	5	3
India	4.34	(1)	3	(29)	(30)	(19)
China	2.40	0	(6)	(16)	7	102
Currencies (Δ %)						
EUR	1.2175	(0.4)	0.9	1.6	1.1	10.9
GBP	1.4115	(0.5)	0.4	2.0	1.9	15.3
JPY	109.22	(0.3)	0.4	(0.4)	(3.2)	(1.6)
AUD	0.7728	(0.8)	0.0	(0.1)	(0.3)	17.1
INR	73.17	(0.2)	0.4	1.6	(0.6)	3.5
CNY	6.4349	(0.1)	0.3	1.3	0.4	9.3
Equity & Other indices (Δ %)						
Dow	33,896	(0.5)	0.9	(0.9)	7.2	37.9
FTSE	6,950	(1.2)	(0.8)	(1.0)	3.6	14.6
DAX	15,114	(1.8)	(0.2)	(2.2)	8.7	34.7
NIKKEI	28,044	(1.3)	(0.4)	(5.5)	(7.4)	36.2
Shanghai Comp	3,511	(0.5)	1.4	2.5	(5.0)	21.8
SENSEX	49,903	(0.6)	2.5	2.2	(3.5)	61.9
Brent (US\$/bbl)	66.66	(3.0)	(3.8)	(0.2)	3.6	86.5
Gold (US\$/oz)	1,870	0.0	3.0	5.2	5.3	6.9
CRB Index	541.2	(0.2)	(0.4)	5.0	13.6	46.8
Rogers Agri Index	1,052.3	(1.3)	(5.2)	6.3	10.2	57.9
LIBOR (3M)*	0.16	1	0	(3)	(3)	(20)
INR 5Y Swap*	5.78	2	13	18	(19)	62
India FII data (US\$ mn)						
	18 May	17 May	WTD	MTD	CYTD	FYTD
FII-Debt	(40.5)	20.8	(19.7)	234.9	(2,157.4)	(130.1)
FII-Equity	156.1	(185.3)	(29.3)	(809.9)	5,027.3	(2,299.1)

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

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