

MACRO DAILY

21 January 2021

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 125bn and stood at Rs 28.1tn for the week ending 15 Jan 2021. Reserve money rose by 15.2% on a YoY basis, compared with 11.4% a year ago. On FYTD basis, reserve money increased by 11.3% as against 5.6% a year ago.
- Bank of Japan (BoJ) kept policy rate unchanged. Growth forecast for FY21 was revised lower to 5.6% contraction from 5.5% dip estimated earlier. For FY22, growth projection was revised upward to 3.9% from 3.6% earlier. In a separate print, Japan's exports rose by 2% (est.: 2.4%) in Dec'20 from 4.2% decline in Nov'20. Imports fell by 11.6% from 11.1%. Trade surplus rose to ¥ 751bn from ¥ 366bn.
- UK's CPI inflation rose at a faster pace of 0.6% on a YoY basis versus 0.3% in Nov'20 and estimate of 0.5% increase. This was led by higher transport prices as lockdown restrictions were temporarily lifted. Increase was also noted in prices of oil and clothing & footwear in Dec'20. Core inflation also rose by 1.4% from 1.1% in Nov'20.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell a tad by 1bps (1.08%) as investors closely eyed US President's inauguration ceremony. UK 10Y yield rose by 1bps (0.3%) over rising inflation print. Crude prices rose by 0.3% (US\$ 56/bbl) supported by political stability in the US. India's 10Y yield rose by 1bps (5.92%). It is trading flat today.
- **Currency:** Except EUR (lower), other global currencies closed higher amidst hopes of a larger fiscal stimulus under the new US President. EUR depreciated by 0.2% amidst rising Covid-19 cases in the region. INR rose by 0.2% despite rising oil prices. It is trading further higher today while other Asian currencies are trading mixed.
- **Equity:** Barring Nikkei (lower), other global indices ended higher. Dow, Sensex and Dax rose by 0.8% each. Swearing in of the new US President raised hopes of bigger fiscal stimulus. Gains in Sensex were led by auto and tech stocks. It is trading further higher today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.08	(1)	0	13	26	(69)
UK	0.30	1	(1)	5	6	(33)
Japan	0.05	(1)	1	4	1	5
Germany	(0.53)	0	(1)	4	6	(27)
India	5.92	1	1	1	0	(72)
China	3.16	0	2	(14)	(2)	13
2Y yields (Δ bps)						
US	0.13	0	(2)	1	(2)	(140)
UK	(0.12)	1	(1)	(3)	(7)	(56)
Japan	(0.12)	(1)	(1)	1	1	0
Germany	(0.71)	0	(1)	2	6	(13)
India	4.49	3	12	61	30	(165)
China	2.47	8	31	(26)	(18)	24
Currencies (Δ %)						
EUR	1.2106	(0.2)	(0.4)	(1.2)	2.1	9.1
GBP	1.3654	0.2	0.1	1.0	3.8	3.9
JPY	103.54	0.3	0.3	(0.2)	1.0	5.7
AUD	0.7747	0.7	0.2	1.6	8.9	13.2
INR	73.03	0.2	0.2	0.7	0.8	(2.6)
CNY	6.4656	0.2	0	1.1	2.8	6.4
Equity & Other indices (Δ %)						
Dow	31,188	0.8	0.4	3.3	10.6	6.9
FTSE	6,740	0.4	(0.1)	3.2	16.7	(11.0)
DAX	13,921	0.8	(0.1)	2.1	10.9	3.0
NIKKEI	28,523	(0.4)	0.2	6.6	20.7	18.7
Shanghai Comp	3,583	0.5	(0.4)	5.5	7.8	17.1
SENSEX	49,792	0.8	0.6	6.0	22.3	21.1
Brent (US\$/bbl)	56.08	0.3	0	7.3	34.4	(11.3)
Gold (US\$/oz)	1,872	1.7	1.4	(0.5)	(2.7)	20.1
CRB Index	458.6	0.4	1.1	4.7	10.3	11.8
Rogers Agri Index	918.3	(0.1)	0.3	8.1	15.9	20.3
LIBOR (3M)*	0.22	0	(2)	(1)	1	(158)
INR 5Y Swap*	5.57	5	(1)	24	34	(118)
India FII data (US\$ mn)						
	19 Jan	18 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(25.3)	(176.9)	(202.2)	(685.7)	(685.7)	(4,779.3)
FII-Equity	115.8	266.5	382.3	2,562.7	2,678.4	32,654.2

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

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