

MACRO DAILY

23 June 2021

Macro developments

- As per news reports, Finance Ministry could seek Cabinet nod for offering sovereign guarantee to the bad bank proposed in the budget. This is expected to cost around Rs 306bn to the exchequer over five years. Under this, government will offer guarantee on the security receipts (SRs) issued by the National Asset Reconstruction Company (NARCL) while acquiring bad loans from lenders. This move is likely to make the resolution process viable.
- US existing home sales fell by 0.9% in May'21 (MoM) to 5.8mn units (est. 5.7mn) from 5.9mn in Apr'21. This was the 4th straight month of decline led by record-high prices and low inventories. Median house prices rose by 23.6% in May'21 on a YoY basis. Sales of single-family houses declined the most by 1% to its lowest since Jun'20 at 5.08mn. Sales of multi-family homes remained stable.
- Japan's flash manufacturing PMI fell to 49.1 in Jun'21 from 53.7 in May'21, as Covid-19 restrictions and severe supply chain pressures took a toll on output. New orders declined for the 2nd consecutive month in Jun'21 (fastest pace since Feb'21). Despite this, employment rose as companies remained optimistic about future outlook. Services PMI came in at 47.2 in Jun'21 versus 46.5 in May'21. New orders declined at an unchanged pace but job creation continued, on hopes of revival in demand due vaccination drive.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 3bps (1.46%) amidst Powell's comments that transitory impact on inflation will abate and it will drop to longer run goal. Germany 10Y yield rose by 1bps (-0.16%). Crude prices fell by 0.1% (US\$ 75/bbl) as US inventory fell more than expected. India's 10Y yield closed flat at 6.03%.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% as Fed Chair pushed back the possibility of rate hike soon. GBP rose by 0.1% as UK government reiterated easing lockdown restrictions on 19 Jul 2021. INR depreciated by 0.4% to a 2-month low. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Barring Sensex, other global indices ended higher as investors monitored Fed Chair's soothing comments on inflation and drop in commodity prices. Nikkei (3.1%) surged the most. European indices ended in green supported by improvement in consumer confidence. Sensex ended flat. However, 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	1.46	(3)	(3)	(16)	(16)	75
UK	0.78	1	2	(5)	2	57
Japan	0.06	1	1	(3)	(3)	4
Germany	(0.16)	1	7	(3)	18	24
India	6.03	0	(2)	5	(12)	12
China	3.10	(1)	(5)	3	(11)	18
2Y yields (Δ bps)						
US	0.23	(3)	7	7	8	4
UK	0.11	(2)	3	7	6	17
Japan	(0.11)	1	1	1	2	2
Germany	(0.65)	1	3	1	6	1
India	4.43	1	19	14	(31)	10
China	2.47	0	2	7	(10)	24
Currencies (Δ %)						
EUR	1.1940	0.2	(1.5)	(2.0)	0.8	5.6
GBP	1.3949	0.1	(1.0)	(1.4)	1.4	11.4
JPY	110.65	(0.3)	(0.5)	(1.6)	(1.9)	(3.9)
AUD	0.7554	0.3	(1.7)	(2.3)	(0.9)	9.0
INR	74.37	(0.4)	(1.4)	(2.1)	(2.7)	1.7
CNY	6.4811	(0.2)	(1.2)	(0.7)	0.5	8.2
Equity & Other indices (Δ %)						
Dow	33,946	0.2	(1.0)	(0.8)	4.7	29.8
FTSE	7,090	0.4	(1.1)	1.0	5.8	12.2
DAX	15,636	0.2	(0.6)	1.3	6.6	24.9
NIKKEI	28,884	3.1	(1.9)	2.0	(0.4)	28.1
Shanghai Comp	3,557	0.8	0	2.0	4.3	19.8
SENSEX	52,589	0	(0.3)	4.1	5.1	48.4
Brent (US\$/bbl)	74.81	(0.1)	1.1	12.6	23.1	75.5
Gold (US\$/oz)	1,779	(0.3)	(4.3)	(5.4)	3.0	0.6
CRB Index	553.4	(0.2)	(1.0)	2.4	9.0	52.6
Rogers Agri Index	1,022.3	(0.6)	(2.9)	(2.9)	6.3	52.0
LIBOR (3M)*	0.14	0	1	(1)	(6)	(16)
INR 5Y Swap*	5.69	1	(2)	4	(26)	43
India FII data (US\$ mn)						
	21 Jun	18 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(18.2)	(102.8)	(18.2)	(386.1)	(2,966.8)	(939.5)
FII-Equity	(128.8)	355.0	(128.8)	1,618.4	8,204.5	878.1

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

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