

## MACRO DAILY

25 January 2021

### Macro developments

- India's forex reserves declined to US\$ 584.2bn in the week ended 15 Jan 2021 from a record high of US\$ 586.1bn. Forex reserves fell by US\$ 1.8bn this week, compared with an increase of US\$ 0.8bn last week. In FYTD21, forex reserves have increased by US\$ 108.7bn versus an accretion of US\$ 49.3bn in the same period last year.
- US existing home sales jumped to 14-year high in CY20 to 6.76mn units (22.2% YoY) from 5.53mn units in Dec'19. Record low mortgage rates and demand for larger spaces have supported residential real estate demand. Inventory of homes also declined by 23% in CY20. In Dec'20 alone, sales rose by 0.7% on MoM basis following 2.5% decline in Nov'20.
- Flash global manufacturing PMI for US rose to 59.1 (series record high) in Jan'21 from 57.1 in Dec'20. Activity in UK (52.9) and Germany (57) dropped to 7-month and 4-month low respectively. In Japan manufacturing growth contracted as PMI plunged to 49.7 from 50 in Dec'20. Rising cost pressures and falling demand remained key concerns everywhere. Services activity too remained in contraction in UK, Eurozone and Japan while it showed steady improvement in the US.

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### Markets

- Bonds:** Except Japan, global yields closed lower as risk appetite fell amidst travel restrictions and muted macro data in Euro Zone and UK. US 10Y yield declined by 2bps (1.09%). Crude prices dropped by 1.2% (US\$ 55/bbl) amidst rising US inventory. India's 10Y yield fell by 2bps (5.91%), taking global cues. It is trading lower at 5.9% today.
- Currency:** Barring EUR (+0.1%) and INR (flat), other global currencies closed lower. DXY rose by 0.1% amidst weakness in global PMI and rising Covid-19 cases. AUD fell the most by 0.6%. INR closed flat. It is however trading higher today in line with other Asian currencies.
- Equity:** Global indices ended lower as investors continued to monitor the spread of Covid-19. European indices ended in red as business activity dropped to a 2-month low on the back of travel restrictions. Sensex (1.5%) declined, led by metal and banking stocks. It is trading higher today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.09	(2)	0	16	24	(60)
UK	0.31	(2)	2	5	3	(26)
Japan	0.05	1	1	3	1	7
Germany	(0.51)	(2)	3	4	6	(18)
India	5.91	(2)	(4)	2	6	(68)
China	3.13	(2)	(2)	(10)	(7)	12
<b>2Y yields (Δ bps)</b>						
US	0.12	0	(1)	0	(3)	(137)
UK	(0.13)	(2)	1	(0)	(9)	(55)
Japan	(0.13)	(1)	(1)	(1)	(1)	0
Germany	(0.71)	(1)	1	0	5	(10)
India	4.50	0	3	62	35	(159)
China	2.32	(5)	4	(33)	(31)	9
<b>Currencies (Δ %)</b>						
EUR	1.2171	0.1	0.7	(0.1)	2.6	10.4
GBP	1.3686	(0.3)	0.7	0.9	5.0	4.7
JPY	103.78	(0.3)	0.1	(0.1)	0.9	5.0
AUD	0.7715	(0.6)	0.2	1.6	8.1	12.9
INR	72.98	0	0.1	0.8	0.9	(2.3)
CNY	6.4815	(0.3)	0	0.7	3.1	6.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	30,997	(0.6)	0.6	2.6	9.4	6.9
FTSE	6,695	(0.3)	(0.6)	3.0	14.2	(11.7)
DAX	13,874	(0.2)	0.6	2.1	9.7	2.2
NIKKEI	28,631	(0.4)	0.4	7.4	21.8	20.2
Shanghai Comp	3,607	(0.4)	1.1	7.2	10.0	21.2
SENSEX	48,879	(1.5)	(0.3)	4.1	20.1	17.5
Brent (US\$/bbl)	55.41	(1.2)	0.6	8.0	32.7	(8.7)
Gold (US\$/oz)	1,856	(0.8)	1.5	(1.5)	(2.4)	18.1
CRB Index	456.3	(0.7)	0.5	3.6	9.9	11.7
Rogers Agri Index	901.5	(2.1)	(2.5)	4.4	12.8	19.8
LIBOR (3M)*	0.22	0	(1)	(2)	0	(158)
INR 5Y Swap*	5.64	2	5	38	40	(105)
<b>India FII data (US\$ mn)</b>						
	<b>21 Jan</b>	<b>20 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	297.8	(276.1)	(180.5)	(664.1)	(664.1)	(4,757.7)
FII-Equity	238.3	341.1	961.7	2,562.7	3,257.9	33,233.6

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

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