

## MACRO DAILY

27 May 2021

### Macro developments

- As per news reports, GST compensation to states in FY22 is estimated to shoot upto Rs 2.69tn compared with budgeted Rs 1.11tn. The excess Rs 1.58tn will have to be met through market borrowings. In FY21, Centre had borrowed from markets Rs 1.1tn on behalf of states to meet the shortfall in GST compensation.
- China's industrial profits rose by 57% YoY in Apr'21 from 92.3% in Mar'21 as base effect begins to normalise. However, the recovery is seen to be uneven. Most of the improvement is attributed to higher profits of chemical products and metal processing firms, which in turn is led by higher internal commodity prices. In CYTD21 (Jan-mid-May) prices of China's steel products has risen by 30% YoY. On the other hand, garment and textile manufacturing firms are yet to reach their pre-pandemic profit levels.
- US mortgage applications declined by 4.2% for the week ending 21 May 2021 against 1.2% increase in the previous week. This was on account of tight supply and rising rates. New home sales also reported a decline of 5.9% in Apr'21. The 30-year fixed mortgage rate rose to 3.18% last week from 3.15% earlier.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (1.58%) as Fed Vice Chair hinted that it's time to talk about policy changes. Germany's 10Y yield fell by 4bps (-0.2%) as ECB was dovish in its tone about asset purchase. Crude prices fell by 0.3% (US\$ 68/bbl) due to concerns of muted demand. India's 10Y yield is trading at 5.98% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.4% ahead of the release of core PCE data. EUR and GBP depreciated by 0.5% and 0.2% respectively. INR rose by 0.3% to its highest since Mar'21. It is trading further higher today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors monitored earnings and speech by Fed Vice Chair as concerns over inflation and potential tapering continued. While both Dow and FTSE ended flat, Nikkei and Shanghai Comp each gained by 0.3%. Sensex rose by 0.8% led by gains in real estate stocks. It is trading further higher today while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.58	2	(10)	8	29	95
UK	0.75	(4)	(10)	9	13	66
Japan	0.07	(1)	(1)	1	(3)	8
Germany	(0.20)	(4)	(9)	12	18	37
India	5.97	0	(1)	(7)	(16)	20
China	3.09	1	(3)	(9)	(20)	41
<b>2Y yields (Δ bps)</b>						
US	0.14	(1)	(2)	1	5	(1)
UK	0.01	(1)	(6)	0	5	9
Japan	(0.14)	(1)	(1)	1	(1)	3
Germany	(0.67)	(1)	(2)	4	3	4
India	4.29	(2)	(4)	(27)	(25)	(22)
China	2.40	0	(6)	(16)	7	102
<b>Currencies (Δ %)</b>						
EUR	1.2190	(0.5)	0.1	1.4	0.5	11.3
GBP	1.4118	(0.2)	0	2.2	1.0	15.8
JPY	108.76	0.3	0.4	(0.9)	(3.3)	(1.3)
AUD	0.7753	0	0.3	0.3	(1.7)	17.8
INR	72.78	0.3	0.5	2.8	(0.3)	3.7
CNY	6.4140	0.1	0.3	0.9	0.4	9.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,323	0	1.3	1.2	8.6	39.8
FTSE	7,027	0	1.1	1.2	5.9	16.7
DAX	15,451	(0.1)	2.2	0.8	10.3	39.5
NIKKEI	28,642	0.3	2.1	(3.0)	(5.7)	37.8
Shanghai Comp	3,593	0.3	2.3	0.6	(5.7)	21.6
SENSEX	51,018	0.8	2.2	5.1	(0.7)	63.4
Brent (US\$/bbl)	68.45	(0.3)	2.7	1.6	5.6	84.2
Gold (US\$/oz)	1,881	0.2	2.1	5.5	5.4	8.9
CRB Index	540.6	(0.1)	0.5	3.5	12.4	46.9
Rogers Agri Index	1,052.7	0.1	(0.9)	1.4	9.7	58.3
LIBOR (3M)*	0.15	0	(1)	(3)	(3)	(21)
INR 5Y Swap*	5.65	(6)	0	17	(28)	46
<b>India FII data (US\$ mn)</b>						
	<b>24 May</b>	<b>21 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(16.7)	(40.0)	(16.7)	244.6	(2,147.7)	(120.5)
FII-Equity	154.1	45.5	154.1	(232.6)	5,604.6	(1,721.8)

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

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