

## MACRO DAILY

02 June 2021

### Macro developments

- As per IMD, India is expected to receive normal to above normal rainfall that will be spatially distributed. IMD has also upgraded its forecast and expects LPA of 101% from an earlier estimate of 98% of LPA. North-West, Central and Southern peninsular India are expected to receive normal to above rainfall. Other climate factors such as El Nino and 'IOD' (Indian Ocean Dipole) remain neutral for monsoon.
- India's manufacturing PMI slipped to a 10-month low of 50.8 in May'21 from 55.5 in Apr'21 as the country battled second wave of Covid-19 infections. New orders rose at the slowest pace since Aug'20 on the back of subdued demand. Due to scarcity of raw materials, input cost and inflation was above its long-run average.
- Global manufacturing PMI improved a tad in May'21 to 56 from 55.9 in Apr'21. Out of 30 countries, 24 registered improvement in business conditions. Eurozone led the gains with final manufacturing PMI at 63.1 versus 62.9 in Apr'21. UK's final PMI too reached record high of 65.6 in May'21 up from 60.9 in Apr'21. Globally, firms reported upturn in output and sharp increase in new orders (at 11-year high).

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### Markets

- Bonds:** Except Japan and India, global yields closed higher. US 10Y yield rose by 1bps to 1.61% supported by better than estimated global manufacturing PMIs. Crude prices too rose by 1.3% (US\$ 70/bbl) on hopes of revival in demand. India's 10Y yield closed flat at 6.02% as investors await RBI's policy decision later in the week. It is trading flat today.
- Currency:** Most global currencies closed lower (except AUD and JPY). DXY closed flat, as improvement in US economic data revived debate over quicker normalisation of Fed policy. Gains in AUD (0.3%) were on the back of improving economic activity. INR fell by 0.4%. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Sensex (flat), other global indices ended higher as investors remained optimistic about global recovery (rebound in global PMI). Dax (0.9%) surged the most followed by FTSE (0.8%). Sensex closed flat and 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
<b>10Y yields (Δ bps)</b>						
US	1.61	1	5	(2)	21	92
UK	0.83	3	4	(2)	14	60
Japan	0.08	0	1	(1)	(5)	7
Germany	(0.18)	1	(1)	2	17	24
India	6.02	0	5	(1)	(21)	26
China	3.09	1	1	(7)	(17)	27
<b>2Y yields (Δ bps)</b>						
US	0.15	1	1	(1)	3	(2)
UK	0.07	1	5	(1)	2	10
Japan	(0.11)	1	1	1	1	3
Germany	(0.66)	0	0	2	3	(1)
India	4.27	(3)	(2)	(19)	(39)	(15)
China	2.34	(2)	(12)	(6)	(22)	68
<b>Currencies (Δ %)</b>						
EUR	1.2213	(0.1)	(0.3)	1.6	1.0	9.3
GBP	1.4150	(0.4)	0	2.4	1.4	12.7
JPY	109.48	0.1	(0.6)	(0.2)	(2.6)	(0.7)
AUD	0.7754	0.3	0	0.5	(0.8)	12.4
INR	72.90	(0.4)	(0.2)	1.6	0.6	3.3
CNY	6.3812	(0.2)	0.5	1.4	1.4	10.1
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	34,575	0.1	0.8	2.1	10.1	34.3
FTSE	7,080	0.8	0.7	1.6	7.1	13.8
DAX	15,567	0.9	0.7	2.9	10.9	29.5
NIKKEI	28,814	(0.2)	0.9	0	(2.0)	29.1
Shanghai Comp	3,625	0.3	1.2	5.2	3.3	24.1
SENSEX	51,935	0	2.6	6.5	3.3	53.5
Brent (US\$/bbl)	70.25	1.3	2.3	4.5	12.0	77.5
Gold (US\$/oz)	1,900	(0.3)	0.1	7.4	9.3	10.0
CRB Index	552.0	0.6	2.8	3.7	12.6	49.6
Rogers Agri Index	1,075.6	2.0	3.7	0.6	10.5	60.2
LIBOR (3M)*	0.13	0	(1)	(5)	(5)	(20)
INR 5Y Swap*	5.72	(1)	5	8	(13)	54
<b>India FII data (US\$ mn)</b>						
	<b>31 May</b>	<b>28 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(73.7)	(187.4)	(73.7)	(188.3)	(2,580.6)	(553.4)
FII-Equity	712.0	58.1	712.0	748.9	6,586.1	(740.3)

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

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