

## MACRO DAILY

05 January 2021

### Macro developments

- India's manufacturing activity continued to remain robust as visible in the PMI reading. It rose to 56.4 in Dec'20 compared with 56.3 in Nov'20. This was led by marked improvement in business conditions across the sector. Input cost inflation on the other hand accelerated to a 26-month high in Dec'20. Employment scenario also weakened considerably.
- Global manufacturing activity showed marked improvement in Dec'20. Manufacturing PMI in Japan rose to 50 in Dec'20 (versus 49 in Nov'20) ending 19-months of contraction. Euro Zone's manufacturing PMI rose to a 31-month high at 55.2 versus 53.8 led by Germany. US manufacturing PMI also rose to a 6-year high at 57.1 from 56.7 led by expansion in output and new orders. UK's manufacturing PMI too rose to a 3-year high at 57.5 from 55.6 due to a surge in orders before end of Brexit transition period.
- Singapore's GDP contracted for the fourth straight quarter in Q4CY20 declining by 3.8%, however pace of decline was slower than Q3 at 5.6%. While manufacturing sector output expanded (up 7.1%), construction (down 33.7%) and services sector (down 7.8%) continued to contract. For CY20, GDP growth dipped to 5.8% versus 0.7% increase in CY19 and much sharper than the 2.2% decline during the Asian Financial Crisis.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield closed flat at 0.91% ahead of release of Fed minutes. UK 10Y yield fell by 2bps (0.17%) amidst lockdown restrictions. Crude prices fell by 1.4% at US\$ 51/bbl eyeing OPEC+ meeting. India's 10Y yield fell by 5bps (5.83%) supported by buying from foreign banks and MFs. It is trading at 5.81% today.
- Currency:** Barring GBP and AUD, other global currencies closed higher. GBP fell sharply by 0.7% amidst reports of more stringent lockdown measures in UK. INR rose by 0.2% to its highest since Sep'20 supported by foreign inflows and lower oil prices. However it is trading lower today, in line with other Asian currencies.
- Equity:** Global indices ended mixed. Dow fell the most (1.3%) ahead of key US Senate elections. FTSE rose the most by 1.7% supported by better PMI reading. However, Sensex gained by 0.6% driven by rally in metal and tech stocks. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.91	0	(1)	(5)	13	(90)
UK	0.17	(2)	(8)	(18)	(12)	(60)
Japan	0.02	0	0	0	(1)	4
Germany	(0.60)	(4)	(4)	(6)	(9)	(32)
India	5.83	(5)	(5)	0	(18)	(75)
China	3.18	3	1	(13)	3	4
<b>2Y yields (Δ bps)</b>						
US	0.11	(1)	(1)	(4)	(3)	(143)
UK	(0.15)	1	(3)	(12)	(13)	(75)
Japan	(0.12)	0	0	0	1	3
Germany	(0.72)	(2)	(2)	3	(2)	(10)
India	3.87	0	(1)	1	(49)	(236)
China	2.47	(1)	(11)	(39)	(13)	19
<b>Currencies (Δ %)</b>						
EUR	1.2248	0.3	0.3	1.0	3.9	9.4
GBP	1.3571	(0.7)	0.9	1.0	4.6	3.0
JPY	103.13	0.1	0.7	1.0	2.5	4.8
AUD	0.7665	(0.4)	1.1	3.2	6.7	10.4
INR	73.02	0.2	0.7	1.1	0.4	(1.5)
CNY	6.4615	1.0	1.2	1.1	4.8	7.4
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	30,224	(1.3)	(0.6)	0.0	7.4	5.3
FTSE	6,572	1.7	1.1	0.3	10.6	(13.2)
DAX	13,727	0.1	(0.5)	3.2	7.0	4.6
NIKKEI	27,258	(0.7)	1.5	1.9	16.9	17.5
Shanghai Comp	3,503	0.9	3.1	1.7	8.9	13.6
SENSEX	48,177	0.6	1.7	6.9	23.6	18.4
Brent (US\$/bbl)	51.09	(1.4)	0.5	3.7	23.7	(25.9)
Gold (US\$/oz)	1,943	2.3	3.7	5.7	1.5	24.1
CRB Index	446.1	0.5	1.0	4.4	10.1	11.2
Rogers Agri Index	886.6	0.2	2.9	8.3	17.4	17.5
LIBOR (3M)*	0.24	0	0	1	2	(163)
INR 5Y Swap*	5.34	2	7	16	(6)	(132)
<b>India FII data (US\$ mn)</b>						
	<b>1 Jan</b>	<b>31 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD21</b>	<b>FYTD</b>
FII-Debt	(7.0)	130.7	114.1	(7.0)	(7.0)	(4,100.6)
FII-Equity	161.6	84.4	1,046.4	161.6	161.6	30,137.4

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

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