

MACRO DAILY

05 March 2021

Macro developments

- As per news reports, government is focussing on farmers producer organisations (FPOs) to support small and marginal farmers. In the Budget, Rs 7bn has been allocated for the scheme in FY22 (+40% from FY21). Centre will contribute equity grant of up to Rs 2,000/member of each FPO, with a limit of Rs 1.5mn per organisation. Also, credit guarantee facility of up to Rs 20mn/FPO for easy funding will also be provided.
- China in its annual NPC meeting announced new growth targets for CY21. It will aim to push GDP growth “above 6%” (2.3% in CY20) and reduce inflation to ~3% (CY20 target: ~3.5%) and fiscal deficit as % of GDP to 3.2% (CY20 target: over 3.6%). Issuance of special government bonds will also be trimmed in CY21, lowering broader gauge of fiscal deficit to 6.5% from 8.3% in CY20, but will be higher than est.: 6.1%.
- US factory orders rose by 2.6% in Jan’21 (est.: 2.1% increase) compared with 1.6% rise in Dec’20. This was led by higher demand of electrical equipment, appliances & parts and primary metals & fabricated metal products. Orders for non-defence capital goods (ex. aircraft) rose by 0.4% in Jan’21 from 0.5% in Dec’20. Separately, initial jobless claims for the week ended 27 Feb 2021 fell by 9,000 to 745,000 (est., 750,000).

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose the most by 8bps (1.56%) as Fed Chair hinted at temporary price pressure with reopening of the economy. Crude prices rose by 4.2% (US\$ 67/bbl) as OPEC+ decided not to increase supply before Apr’21. India’s 10Y yield fell by 2bps (6.22%) supported by announcement of special OMOs. It is trading at 6.21% today.
- Currency:** Except CNY (flat), global currencies closed lower. DXY rose by 0.8% (highest since Dec’20) amidst a sharp rise in US 10Y yields. JPY (0.9%) and EUR (0.8%) depreciated the most. INR fell by 0.2% as oil prices rose. It is trading lower today, in line with other Asian currencies.
- Equity:** Global indices ended lower as investors monitored volatility in bond yields and comments by US Fed Chair. Both Nikkei and Shanghai Comp ended lower by 2.1% each. Sensex (1.2%) too ended in red led by global cues and metal and banking 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
10Y yields (Δ bps)						
US	1.56	8	4	48	66	65
UK	0.73	(5)	(5)	41	41	40
Japan	0.13	1	(2)	7	11	24
Germany	(0.31)	(2)	(8)	21	25	38
India	6.22	(2)	3	16	37	(2)
China	3.27	1	0	9	(4)	58
2Y yields (Δ bps)						
US	0.14	0	(3)	4	0	(45)
UK	0.08	(1)	(3)	19	13	(8)
Japan	(0.12)	0	(3)	0	0	13
Germany	(0.69)	(1)	(3)	4	5	17
India	4.84	(2)	16	20	89	(55)
China	2.57	1	0	(3)	(33)	61
Currencies (Δ %)						
EUR	1.1969	(0.8)	(1.7)	(0.8)	(1.4)	6.5
GBP	1.3895	(0.4)	(0.9)	1.7	3.3	7.3
JPY	107.98	(0.9)	(1.7)	(2.9)	(4.0)	(1.7)
AUD	0.7726	(0.6)	(1.9)	1.4	3.9	16.8
INR	72.84	(0.2)	(0.6)	0.3	1.5	0.7
CNY	6.4699	0	(0.2)	0	1.1	6.7
Equity & Other indices (Δ %)						
Dow	30,924	(1.1)	(1.5)	2.4	3.2	18.4
FTSE	6,651	(0.4)	0	2.9	2.5	(0.8)
DAX	14,056	(0.2)	1.3	3.2	6.1	17.7
NIKKEI	28,930	(2.1)	(4.1)	3.0	7.9	35.6
Shanghai Comp	3,503	(2.1)	(2.3)	(0.1)	1.8	14.1
SENSEX	50,846	(1.2)	(0.4)	4.6	13.9	32.2
Brent (US\$/bbl)	66.74	4.2	(0.2)	18.4	37.0	33.5
Gold (US\$/oz)	1,698	(0.8)	(4.1)	(8.8)	(7.8)	1.5
CRB Index	487.3	(0.4)	(0.7)	6.2	14.1	22.1
Rogers Agri Index	962.6	(0.2)	(2.0)	4.2	16.9	35.8
LIBOR (3M)*	0.19	1	0	0	(3)	(81)
INR 5Y Swap*	5.91	0	1	24	70	10
India FII data (US\$ mn)						
	3 Mar	2 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(292.4)	(227.7)	(625.3)	(625.3)	(2,109.5)	(6,203.1)
FII-Equity	333.0	361.2	810.1	810.1	5,803.9	35,779.7

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

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