

MACRO DAILY

07 May 2021

Macro developments

- India and EU are expected to strengthen economic ties and cooperation in dealing with Covid-19 crisis in their upcoming meeting. Earlier, EU had already announced a € 2.2mn emergency funding to India to tackle the current crisis. Negotiations towards FTA on trade and investment promotion are likely to be discussed. EU is an important trading partner to India accounting for 19.5% of India's exports and 15% of imports.
- Bank of England (BoE) in its latest policy kept benchmark rate unchanged at 0.1%. However, it slowed down its pace of asset purchase from £ 4.4bn/week to £ 3.4bn/week. This was on the back of revival in economic activity for which GDP projection has been revised upward to 7.25% in CY21 from 5% estimated earlier. Earlier, Bank of Canada has signaled on raising rates and trimming asset purchase program on the back of recovery.
- China's export growth rose to 32.3% in Apr'21 (est. 24.5%) from 30.6% in Mar'21, rising for the 10th consecutive month. This was led by improvement in global demand particularly from advanced economies. Imports rose by 43.1% in Apr'21, registering the fastest pace of increase since Jan'11 and compared with 38.1% in Mar'21. Higher commodity prices and improvement in domestic economy boosted imports.

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Markets

- Bonds:** Except US and Germany (stable), global yields closed lower. Investors remained cautious ahead of US employment report and monitoring comments from BoE governor. UK 10Y yield fell by 3bps (0.79%). Crude prices fell by 1.3% (US\$ 68/bbl) due to concerns of muted demand. India's 10Y yield closed flat at 5.97%. It is trading at 5.98% today.
- Currency:** Except GBP (lower), other global currencies closed higher. DXY fell by 0.4% as investors await US payrolls data. EUR and AUD gained the most and rose by 0.5% each. INR appreciated by 0.2% as oil prices fell. It is trading further higher today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices ended higher. Dow rose by 0.9% to a record high as US jobless claims fell more than expected. European indices ended in green driven by strong corporate earnings reports. Sensex rose by 0.6% led by metal and auto stocks. It is trading further higher 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	1.57	0	(6)	(13)	43	93
UK	0.79	(3)	(5)	(0)	35	56
Japan	0.09	(1)	(1)	(3)	3	9
Germany	(0.23)	0	(3)	10	23	32
India	5.97	0	(9)	(15)	(10)	(5)
China	3.14	(1)	(4)	(6)	(10)	53
2Y yields (Δ bps)						
US	0.15	0	(1)	(1)	4	1
UK	0.04	(2)	(4)	(4)	7	5
Japan	(0.12)	0	1	0	(1)	2
Germany	(0.69)	0	(1)	2	2	7
India	4.37	(7)	(11)	(19)	(22)	(2)
China	2.40	0	(6)	(16)	(30)	122
Currencies (Δ %)						
EUR	1.2065	0.5	(0.5)	2.1	0.8	11.4
GBP	1.3889	(0.1)	(0.4)	(0.1)	1.6	12.4
JPY	109.09	0.1	(0.1)	1.0	(3.4)	(2.6)
AUD	0.7782	0.5	0.2	1.7	2.4	19.8
INR	73.76	0.2	0.4	(0.6)	(1.1)	2.6
CNY	6.4641	0.2	0.1	1.6	0.1	8.8
Equity & Other indices (Δ %)						
Dow	34,549	0.9	1.4	3.0	11.2	44.7
FTSE	7,076	0.5	1.6	5.0	8.8	19.2
DAX	15,197	0.2	0.3	0.6	8.1	41.2
NIKKEI	29,331	1.8	1.0	(2.5)	3.5	49.1
Shanghai Comp	3,441	(0.2)	(1.0)	(1.2)	(1.7)	19.8
SENSEX	48,950	0.6	(1.6)	(0.4)	(3.3)	55.7
Brent (US\$/bbl)	68.09	(1.3)	(0.7)	9.6	15.7	131.1
Gold (US\$/oz)	1,815	1.6	2.4	5.0	1.2	5.8
CRB Index	541.9	0.7	1.8	7.2	16.9	51.4
Rogers Agri Index	1,113.2	1.7	5.8	18.1	19.7	69.5
LIBOR (3M)*	0.17	(1)	(1)	(3)	(2)	(26)
INR 5Y Swap*	5.58	0	(3)	(24)	(12)	32
India FII data (US\$ mn)						
	5 May	4 May	WTD	MTD	CYTD	FYTD
FII-Debt	2.8	85.2	93.2	93.2	(2,299.1)	(271.8)
FII-Equity	(61.9)	(236.2)	(523.2)	(523.2)	5,314.0	(2,012.3)

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

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