

THE MACROSCOPE

10th March 2021

Issue#7

Issue Highlights:

What stands out:

Global growth expectations push global yields higher while inflation fears yet to come in to play

Charts in Focus:

In US, Labour markets showed signs of revival as economic recovery picks up pace

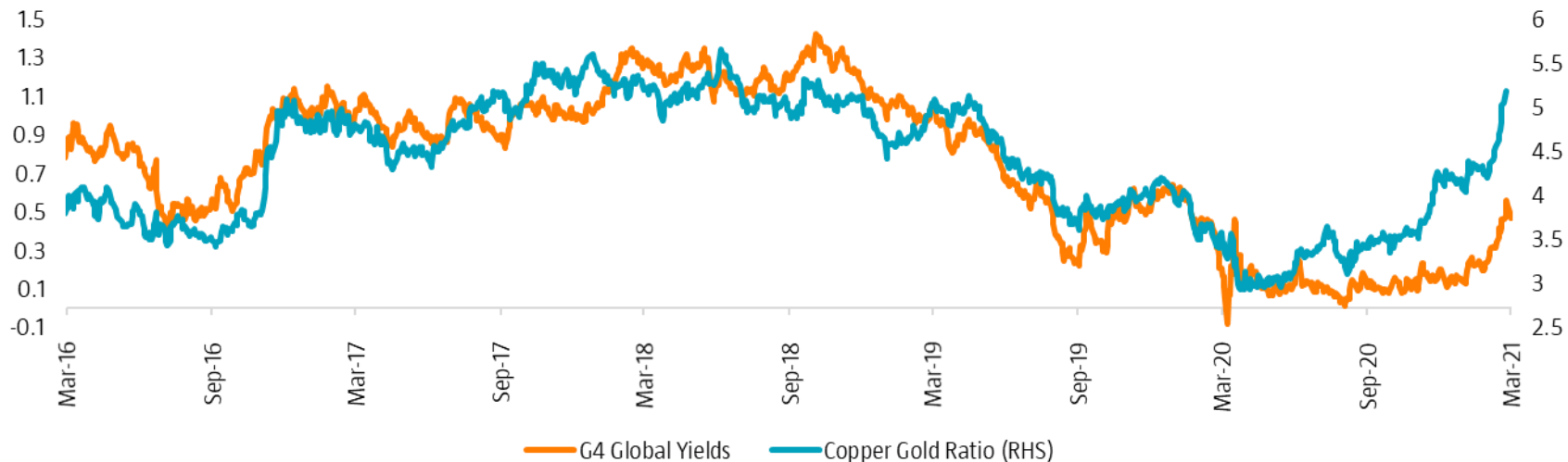
In Europe, Positive cues start to build up as economy sees recovery path

In Asia, India begins all-round recovery while Japan looks out for economic recovery

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WHAT STANDS OUT...

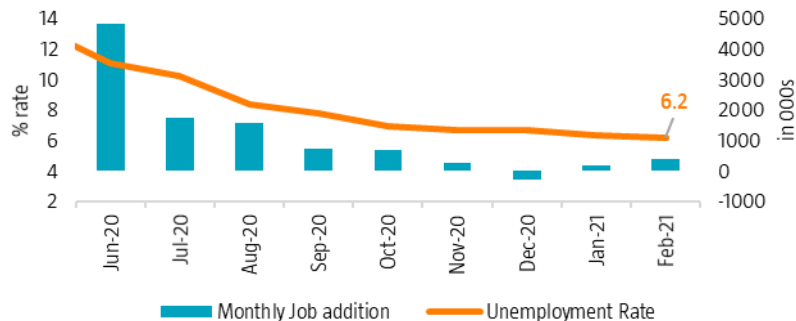


- Global yields have risen sharply and substantially since the start of this year. While the onset of Covid-19 clinical trials led to consolidation of global benchmark yields, the start of vaccination has triggered a rally which has taken markets by surprise
- **The global fiscal support has reached almost \$14 trillion** which has strengthened the case for higher inflation in the future. However, the current steepening of yields is more a result of **rising economic recovery expectations if we look at it in comparison with the Copper Gold ratio**
- The Copper-Gold ratio is one key ratio that helps understand market's outlook for economic growth and inflation. Historically, the ratio has tracked global yields very closely and has risen more than 60% since August last year. The trajectory is a result of expected increase in industrial activity as fiscal support and vaccination drive the normalization of activities in most economies
- Though global yields have risen substantially to mirror the rising global recovery expectations, they could very well continue to move higher before it plateaus unless the Federal Reserve steps in to bring the rates more in line with its dovish policy stance.

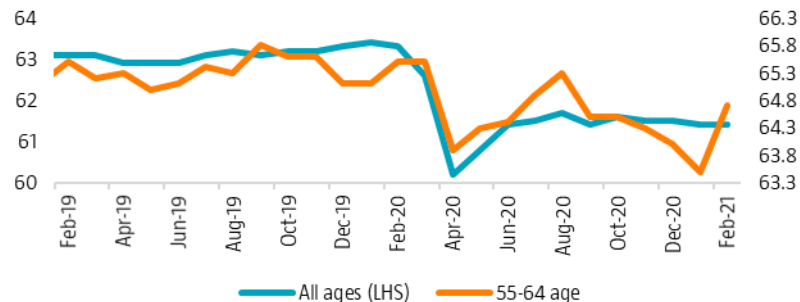
Global growth expectations push global yields higher while inflation fears yet to come in to play

CHARTS IN FOCUS – U.S.

Jobless rate dropped sharply to 6.2 per cent in February; monthly job additions have started to show signs of improvement

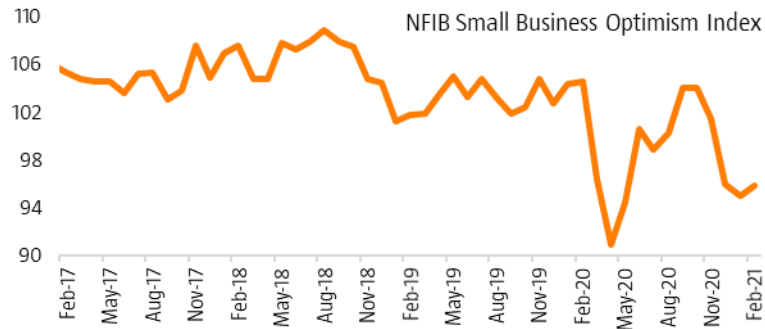


However, the lower Labor Force Participation rate which indicates a drop in labor force, some signs of recovery seen in the older age category



- ✓ Private sector hiring was encouraging as per recent data, however more than 9.5 mn jobs yet to recover from pre-covid levels. The unemployment rate clocked its lowest since March last year as monthly job additions rose
- ✓ The labor force participation rate is yet to see reversion back to pre-covid levels. The 55-64 age group which had seen a strong dip showed an uptick as per data released last week
- ✓ The NFIB Small Business optimism index improvement shows that business activity was encouraging even as businesses battled poor weather conditions

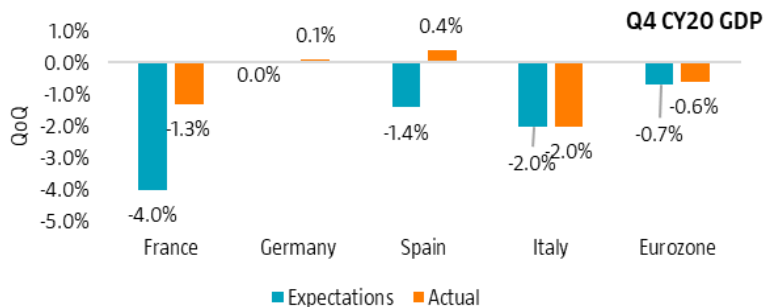
Small-business owners confidence improved in February after three consecutive months of weakness as economy opened up and labor market strengthened



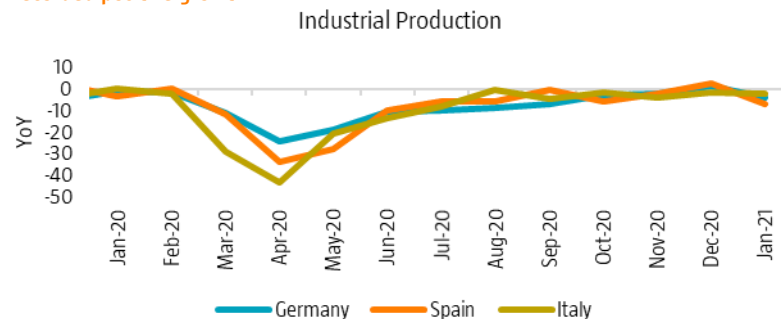
Labour markets showed signs of revival as economic recovery picks up pace

CHARTS IN FOCUS – EUROZONE

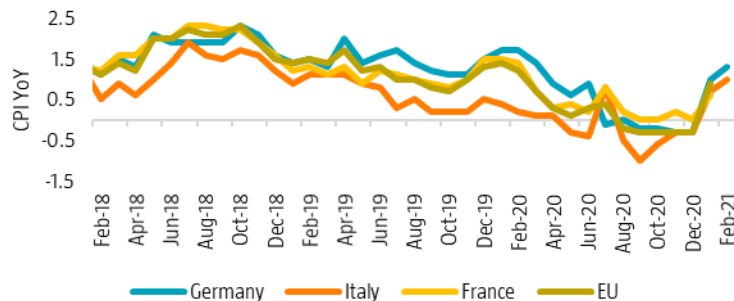
Last quarter GDP growth surprised positively beating consensus expectations even as governments stepped up social restrictions to contain fresh wave of infections



Industrial activity slowed down in January even though the Manufacturing PMIs recorded positive growth



Euro countries saw sharp uptick in inflation as price moved higher on a YoY basis for the first time since July last year on the back of temporary factors

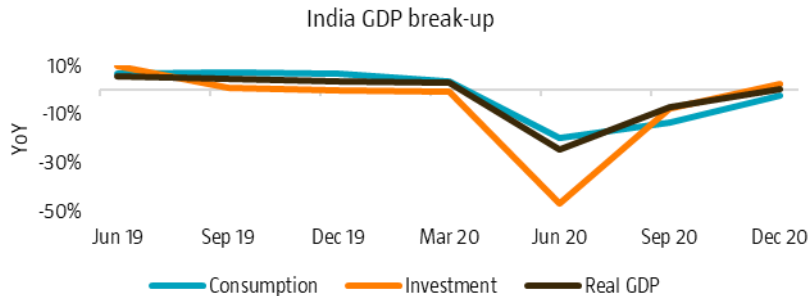


- ✓ The euro region battled fresh lockdowns and slower vaccinations in the last quarter of 2020 to deliver GDP growth which beat expectations with some uneven recovery from the consumption side of the economy
- ✓ Germany and Spain’s industrial production were impacted largely on account of severe climate conditions impacting production and fresh lockdowns
- ✓ In Germany, end of support on higher tax rates added to inflationary pressures while delays and cancellation on winter sales pushed inflation higher in other countries

Positive cues start to build up as economy sees recovery path

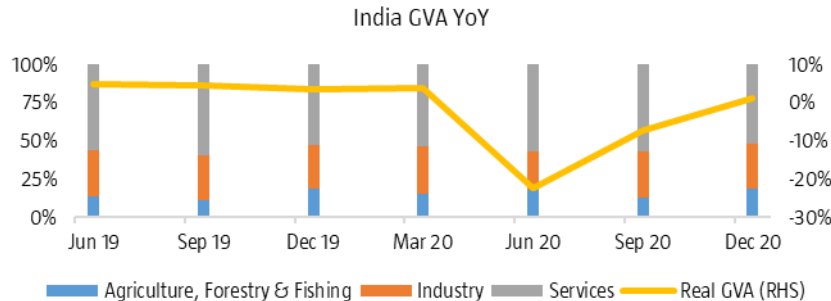
CHARTS IN FOCUS – ASIA

India's Q3 FY21 GDP came back into positive territory albeit marginally led by investments and impressive recovery on the consumption front

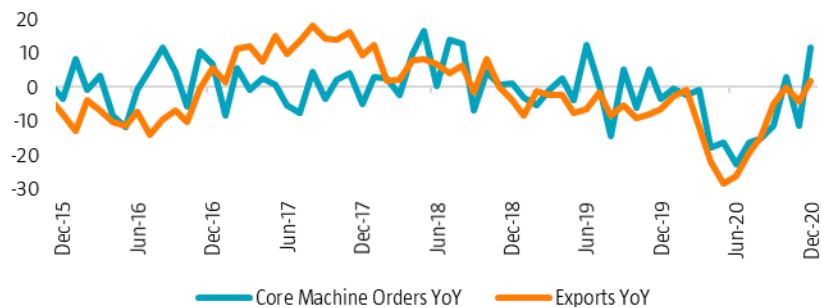


- ✓ After recording contraction in H1 FY21, India's economy recorded 0.4% YoY growth in real GDP and 5.3% YoY growth in nominal terms
- ✓ On the GVA front, while agriculture maintained its growth trajectory, and industry growth moved back in the positive, the improvement in Services sector growth to -1% YoY was encouraging
- ✓ The Japanese economy beat expectations as it recorded a 3% QoQ GDP growth in the 4th quarter of CY20. While business investment contributed sizably, higher exports to China also was a key catalyst

On the supply front, industry growth and government capex led the GVA growth to come in the positive territory of 1% YoY



Japan recorded 2nd consecutive quarter of positive GDP QoQ growth on the back of recovery in both exports and private sector led capex picking up



India begins all-round recovery while Japan looks out for economic recovery

INDICATORS IN FOCUS – U.S. & EUROPE

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
UNITED STATES									
U. of Mich. Sentiment	78.10	72.50	74.10	80.40	81.80	76.90	80.70	79.00	76.80
Retail Sales Advance MoM	8.60	1.10	1.40	1.70	-0.10	-1.30	-1.00	5.30	
Industrial Production YoY	-10.50	-6.58	-6.34	-6.12	-4.66	-4.71	-3.15	-1.83	
Trade Balance	-51.77	-62.11	-66.06	-63.22	-63.98	-69.04	-66.97	-68.21	
Wards Total Vehicle Sales	13.05	14.52	15.19	16.34	16.21	15.55	16.27	16.63	15.67
New Home Sales	840	979	977	965	965	839	885	923	
Housing Starts	1265	1487	1373	1437	1530	1553	1680	1580	
PCE Core Deflator YoY	1.14	1.26	1.43	1.53	1.42	1.37	1.45	1.53	
PCE Deflator YoY	0.90	1.00	1.20	1.40	1.20	1.20	1.30	1.50	
Change in Nonfarm Payrolls	4846	1726	1583	716	680	264	-306	166	379
Unemployment Rate	11.10	10.20	8.40	7.80	6.90	6.70	6.70	6.30	6.20
Markit US Manufacturing PMI	49.80	50.90	53.10	53.20	53.40	56.70	57.10	59.20	58.60
EUROZONE									
Germany IFO Business Climate	86.2	89.9	92	93.2	92.7	91	92.2	90.3	92.4
Eurozone Consumer Confidence	-14.60	-14.90	-14.60	-13.60	-15.50	-17.60	-13.80	-15.50	-14.80
Bank of France Ind. Sentiment	89.45	98.79	105.12	100.81	97.25	96.32	97.57	98.00	99.00
France Industrial Production YoY	-11.3	-8.2	-6.3	-5.8	-4	-4.5	-3		
Italy Retail Sales YoY	-2.35	-7.06	1.02	1.39	2.82	-8.51	-3.22	-6.82	
Netherlands Mfg Production YoY	-9.70	-4.90	-3.80	-6.60	-4.00	-2.70	-0.20		
France Trade Balance	-8059	-7136	-7097	-5511	-4704	-3524	-3568	-3946	
Italy New Car Registrations YoY	-23.03	-10.88	-0.29	9.65	-0.09	-8.34	-14.87	-13.93	-12.34
Spain CPI YoY	-0.30	-0.60	-0.50	-0.40	-0.80	-0.80	-0.50	0.50	0.00
Eurozone CPI YoY	0.30	0.40	-0.20	-0.30	-0.30	-0.30	-0.30	0.90	0.90
Germany CPI YoY	0.90	-0.10	0.00	-0.20	-0.20	-0.30	-0.30	1.00	1.30
Netherlands Unemployment Rate	4.30	4.50	4.60	4.40	4.30	4.00	3.90	3.60	
Eurozone Unemployment Rate	8.00	8.50	8.70	8.60	8.40	8.10	8.10	8.10	
Markit Eurozone Composite PMI	48.50	54.90	51.90	50.40	50.00	45.30	49.10	47.80	48.80

INDICATORS IN FOCUS – ASIA

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
INDIA											
CPI YoY	7.22	6.27	6.23	6.73	6.69	7.27	7.61	6.93	4.59	4.06	
Core CPI YoY	4.85	5.00	5.33	5.87	5.77	5.66	5.76	5.79	5.65	5.65	
Markit India Manufacturing PMI	27.40	30.80	47.20	46.00	52.00	56.80	58.90	56.30	56.40	57.70	57.50
Markit India Services PMI	5.40	12.60	33.70	34.20	41.80	49.80	54.10	53.70	52.30	52.80	55.30
GST Collection (Rs. cr)	32294	62009	90917	87422	86449	95480	105155	104963	115174	119847	
Imports YoY	-58.65	-51.05	-47.59	-28.4	-26	-19.6	-11.53	-13.32	7.56	2.03	
Exports YoY	-60.28	-36.47	-12.41	-10.21	-12.7	6.0	-5.1	-8.7	0.1	6.2	
Non-oil & non-gold imports YoY	-53.70	-34.46	-41.97	-30.41	-29.68	-12.63	-4.87	-1.66	7.99		
Gold Imports(YoY)	-99.93	-98.40	-77.42	4.17	171.27	-52.85	35.88	2.65	81.82		
E-Way Bills (INR crs.)	-83.61	-53.03	-12.71	-7.29	-3.47	9.60	21.40	8.12	15.89		
Indian Forex Reserves(USD mn)	479.50	493.50	506.80	534.57	541.40	542.00	560.70	574.82	580.84		
Currency Circulation YoY	18.40	15.70	20.60	22.20	23.20	22.70	20.30	22.77	22.36	21.65	
Passenger auto sales YoY	-100.00	-85.22	-49.59	-3.86	14.16	26.45	14.19	4.65	13.59	11.14	
Cement output YoY	-85.24	-21.42	-6.80	-13.46	-14.52	-3.44	3.19	-7.26	-9.73		
Steel Production	-82.80	-40.43	-23.25	-6.46	0.47	6.17	4.01	-0.51	-2.69		
Index of Industrial Production YoY	-57.60	-33.90	-16.60	-10.50	-7.10	1.00	4.20	-2.10	1.00		
CHINA											
Caixin China PMI Composite	47.60	54.50	55.70	54.50	55.10	54.50	55.70	57.50	55.80	52.20	51.70
Caixin China PMI Services	44.40	55.00	58.40	54.10	54.00	54.80	56.80	57.80	56.30	52.00	51.50
Exports YoY	3.10	-3.50	0.20	6.80	9.10	9.40	10.90	20.60	18.10		
Imports YoY	-14.40	-16.70	2.30	-1.60	-2.30	12.70	4.40	3.90	6.50		
Trade Balance	44.91	62.61	46.28	61.88	58.48	36.75	58.07	75.50	78.17		
CPI YoY	3.30	2.40	2.50	2.70	2.40	1.70	0.50	-0.50	0.20	-0.30	-0.20
Manufacturing PMI	50.80	50.60	50.90	51.10	51.00	51.50	51.40	52.10	51.90	51.30	50.60
JAPAN											
Vehicle Sales YoY	-25.50	-40.20	-26.00	-20.40	-18.50	-15.60	31.60	6.00	7.40	6.80	-2.20
Jobless Rate	2.60	2.80	2.80	2.90	3.00	3.00	3.10	3.00	3.00	2.90	
Job-To-Applicant Ratio	1.30	1.18	1.12	1.09	1.05	1.04	1.04	1.05	1.05	1.10	
Money Stock M2 YoY	3.70	5.10	7.20	7.90	8.60	9.00	9.00	9.10	9.10	9.40	9.60
Industrial Production YoY	-15.00	-26.30	-18.20	-15.50	-13.80	-9.00	-3.00	-3.90	-2.60	-5.30	
Exports YoY	-21.90	-28.30	-26.20	-19.20	-14.80	-4.90	-0.20	-4.20	2.00	6.40	
Imports YoY	-7.10	-26.10	-14.40	-22.30	-20.70	-17.40	-13.20	-11.10	-11.60	-9.50	
Natl CPI YoY	0.10	0.10	0.10	0.30	0.20	0.00	-0.40	-0.90	-1.20	-0.60	
Jibun Bank Japan PMI Composite	25.80	27.80	40.80	44.90	45.20	46.60	48.00	48.10	48.50	47.10	48.20
Retail Sales YoY	-13.90	-12.50	-1.30	-2.90	-1.90	-8.70	6.40	0.60	-0.20	-2.40	

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