

Good Morning,

The market roundup for the global and domestic markets for **Tuesday (June 1, 2021)** is as follows.

- **US stock markets** ended mixed (**Dow** ended higher while **NASDAQ & S&P** ended lower) as inflationary concerns offset the encouraging PMI data for the manufacturing sector. NASDAQ was dragged by losses in technology stocks.
- **European equity markets** rallied driven by gains in cyclical & value stocks on re-opening optimism signalled by upbeat macroeconomic data (strong PMIs in Europe, upward revision in Italy's growth and improved jobs data in Germany). The ECBs stance on the transitory nature of inflation assuaged policy tightening fears and supported the market sentiments. **FTSE** closed higher driven by gains in mining, energy and heavy commodity stocks. Market sentiments were buoyed as OECD forecasted UK to witness GDP growth of 7.2% this year.
- **Nikkei** ended lower on account of elevated levels of covid-19 infections and resultant restrictive measures imposed in some prefectures of Japan. The losses were curtailed by upbeat economic data (upward revision in manufacturing PMI for May'21, sharp growth in retail sales and housing starts in April). **Chinese markets** ended higher on prospects of recovery as an uptick in domestic as well as export demand drove expansion in factory activity in May. The decision by PBoC to increase forex requirement ratio for financial institutions capped the upside.
- **10-year US benchmark treasury yields** ended marginally higher on prospects of economic rebound, further fiscal stimulus and resultant higher inflation. **US dollar** strengthened against major currencies supported by uptick in US Treasury yields and safe-haven demand owing to inflationary concerns.
- **Crude oil prices** rose as OPEC+ forecast suggests that bullish prospects for oil demand supported by vaccination drives across US, Europe and China will lead to fall in crude inventories by end-July. The gains were however limited as OPEC+ in its meeting has decided to gradually ease oil supply restrictions coupled with increased oil supply from Iran. **Gold prices** fell tracking strength in US.
- **Indian benchmark equity indices** ended flat on profit-booking in metals and financial stocks. Investor sentiments were sapped by manufacturing PMI dipping to a 10-month low as the second wave of coronavirus weighed on the manufacturing activity. However, strengthening of the economy in Q4-2021 with GDP growth of 1.6% coupled with declining caseload capped the losses.
- **Rupee** weakened tracking the strength in the US dollar on the back of brisk demand for US dollar by some exporters & bankers, weak domestic equities and high crude oil prices. **The 10-year benchmark GSec yields** remained unchanged ahead of the Monetary policy committee meeting scheduled for later in the week.

Table 1: Global Markets indicators

	31-05-2021	01-06-2021	% / bps change
Dow	34,529	34,575	0.13
NASDAQ	13,749	13,736	-0.09
S & P 500	4,204	4,202	-0.05
Nikkei 225	28,860	28,814	-0.16
FTSE 100	7,023	7,080	0.82
US 10-yr (%)	1.62	1.62	0.10 bps
UK 10-yr (%)	0.80	0.83	3.25 bps
Germany 10-yr (%)	-0.19	-0.19	0.55 bps
3-month Libor (%) ^	0.135	0.131	-0.36 bps
6-month Libor (%) ^	0.172	0.171	-0.07 bps
Gold	1,906	1,905	-0.04
Crude Oil (WTI)	66.97	67.72	1.12
Crude Oil (Brent)	69.32	70.25	1.34
\$/€*	1.22	1.22	-0.06
¥/\$*	109.46	109.58	0.11
\$/£*	1.42	1.42	-0.57

* (-) Appreciation/ (+) Depreciation ; ^ data pertains to 26th & 27th May 2021
Source: CNN, WSJ, Bloomberg.

Table 2: Domestic Market indicators

	31-05-2021	01-06-2021	% change
Sensex	51,937	51,935	-0.00
NIFTY	15,583	15,575	-0.05
BSE SME IPO	3,225	3,265	1.24
Rs/\$	72.62	72.90	0.39
Rs/€	88.43	89.13	0.79

Source: BSE, NSE, Mint * (-) Appreciation/ (+) Depreciation.

Table 3: FPI and MFs investment flows

US \$ Mn	Equity			Debt			Total (Net) ^
	Purchase	Sale	Net	Purchase	Sale	Net	
Net FPI Flows (US \$ mn)							
Apr-21	20,591	22,311	-1,720	2,780	2,855	-76	-1,714
May-21*	24,294	23,545	749	2,287	2,220	67	906
28-May-21	786	727	58	50	237	(187)	(134)
31-May-21	1,531	819	712	87	161	(74)	634
MF Investments (Rs. Cr.)							
May-21	54,603	54,403	201	1,20,672	1,15,132	5,539	5,740

Source: NSDL, SEBI *Data till May 31, 2021 # Data till May 24, 2021 ^Total (Net) of equity, debt & hybrid

Table 4: Money Market view#

	31-05-2021	01-06-2021
Avg. Call Rate (%)	3.18	3.12
Vol. Traded (Rs. Cr.)	10,664	8,763
MIBOR (Overnight) ^	3.39	3.4
Net banking system liquidity outstanding	(4,75,026)	(5,18,440)
Daily liquidity injection (+) /absorption (-) #	(3,59,149)	(4,02,563)
T-Bills 91 days *	3.39	3.39
182 days *	3.59	3.57
364 days *	3.71	3.72
G-Sec 3 years	4.70	5.04
5 years	5.59	5.61
10 years	6.02	6.02

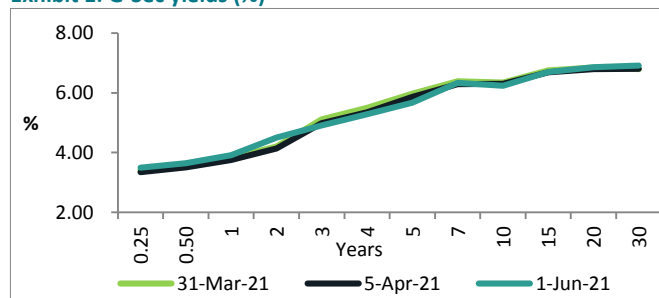
* + deficit/ - surplus (Net banking system liquidity outstanding = total repo + MSF + SLF - total reverse repo) #Daily liquidity injection (+) / absorption (-) = (Repo + MSF - Reverse Repo) auctioned on that day; Source: RBI, FBI, CCL; ^pertains to 24th and 25th May 2021 *Data pertains to 28th & 31st May, 2021

Table 5: Corporate bond spreads over G-sec (%)

10 Year	28-05-2021	31-05-2021	10 year	28-05-2021	31-05-2021
AAA	0.47	0.45	A	3.30	3.32
AA+	0.94	0.91	A-	3.80	3.82
AA	1.17	1.17	BBB+	4.30	4.32
AA-	1.55	1.57	BBB	4.55	4.57
A+	3.05	3.07	BBB-	5.05	5.07

Source: FIMMDA

Exhibit 1: G-Sec yields (%)



Source: FIMMDA

CARE Ratings Limited
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456
CIN - L67190MH1993PLC071691



Contact:
Akanksha Bhende
Associate Economist
Akanksha.bhende@careratings.com
+91-22-6837 4400