

MACRO DAILY

10 December 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 26.5bn and stood at Rs 27tn for the week ending 4 Dec 2020. Reserve money rose by 15.2% on a YoY basis, compared with 13.3% a year ago. On FYTD basis, reserve money increased by 9.8% as against 4.2% a year ago.
- ADB has estimated growth in developing Asia to contract by 0.4% in CY20 (0.7% decline projected earlier). Growth is expected to bounce back to 6.8% in CY21 with gradual normalisation of economic activity. China's GDP is projected to rise by 2.1% in CY20 (1.8% estimated earlier) and by 7.7% in CY21. India's growth is expected to contract by 8% in FY21 (9% estimated earlier), while revival will be noticed in FY22 with 8% growth.
- Japan's core machinery orders rose by 17.1% in Oct'20 on MoM basis after a 4.4% decline in Sep'20, implying signs of higher capital spending in the next 6-9 months. Within core, manufacturing orders rose by 11.4% versus 2% in Sep'20. Orders from overseas jumped by 2.7% versus 16.7% fall in Sep'20, while those from government fell by 22.7% in Oct'20.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (0.94%) amidst speculation of US fiscal stimulus. UK 10Y yield closed flat at 0.26% as investors remained cautious surrounding Brexit negotiations. Crude prices closed flat at US\$ 49/bbl. India's 10Y yield fell by 2bps (5.92%) amidst news report that government is considering to recommend easing of the inflation target. It is trading lower at 5.91% today.
- **Currency:** Barring GBP and AUD, other global currencies closed lower against the dollar. DXY fell by 0.2% as investors await details on Brexit negotiations and US fiscal stimulus. Following global cues, INR fell by 0.1%. It is trading further lower today in line with other Asian currencies.
- **Equity:** Barring Dow and Shanghai Comp, other global indices ended higher on expectation of US stimulus and vaccine optimism. Amongst other indices, Nikkei (1.3%) gained the most. Sensex (1.1%) continued to gain for 5th day in a row led by banking and real estate stocks. However, 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	0.94	2	0	12	24	(86)
UK	0.26	0	(9)	(1)	2	(51)
Japan	0.02	0	0	0	(1)	2
Germany	(0.61)	0	(9)	2	(14)	(28)
India	5.92	(2)	8	5	(7)	(84)
China	3.30	2	(2)	10	21	11
2Y yields (Δ bps)						
US	0.15	0	(1)	0	0	(146)
UK	(0.08)	0	(5)	(5)	0	(66)
Japan	(0.12)	0	0	1	(1)	(1)
Germany	(0.77)	0	(6)	1	(8)	(13)
India	3.95	1	3	(17)	(55)	(182)
China	2.85	0	(4)	10	26	25
Currencies (Δ %)						
EUR	1.2081	(0.2)	(0.3)	1.7	2.4	8.5
GBP	1.3399	0.3	0.3	1.8	3.1	1.5
JPY	104.23	(0.1)	0.2	(0.9)	1.8	4.0
AUD	0.7447	0.5	0.4	2.6	2.3	8.3
INR	73.57	(0.1)	0.3	0.8	(0.0)	(3.8)
CNY	6.5435	(0.2)	0.3	1.0	4.2	7.0
Equity & Other indices (Δ %)						
Dow	30,069	(0.3)	0.6	6.2	7.6	7.7
FTSE	6,564	0.1	1.6	11.1	9.2	(9.0)
DAX	13,340	0.5	0.2	6.9	0.8	1.5
NIKKEI	26,818	1.3	0.1	10.2	16.4	14.6
Shanghai Comp	3,372	(1.1)	(2.2)	1.8	3.6	15.3
SENSEX	46,104	1.1	3.3	10.1	20.7	14.1
Brent (US\$/bbl)	48.86	0	1.3	23.9	19.8	(23.3)
Gold (US\$/oz)	1,840	(1.7)	0.5	(5.7)	(5.5)	24.7
CRB Index	434.0	0.3	1.7	4.4	8.8	10.2
Rogers Agri Index	822.5	1.0	0.3	2.9	12.3	13.0
LIBOR (3M)*	0.23	0	0	2	(2)	(166)
INR 5Y Swap*	5.24	3	5	17	(34)	(132)
India FII data (US\$ mn)						
	8 Dec	7 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	64.8	(24.4)	40.4	293.7	(14,325.5)	(4,566.0)
FII-Equity	423.3	462.9	886.2	2,317.0	18,422.7	25,025.7

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

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