

MACRO DAILY

11 December 2020

Macro developments

- Centre has recently released the 6th instalment of GST compensation cess of Rs 60bn thus taking the total transfer to states to Rs 360bn. This is a part of Rs 1.1tn additional borrowing by centre on behalf of states in order to meet the compensation cess gap. Further, centre had also allowed states to borrow additional 1% of GSDP (Rs 2tn) from markets based on performance of 4 reforms. Within this, 9 states have implemented ONORCS and will now be able to borrow Rs 235bn from the market.
- CPI print in the US rose by 0.2% in Nov'20 (est.: 0.1%) against flat reading in Oct'20, on MoM basis. This was led by energy prices, hotel stays, airfares and apparel. Core also rose by 0.2% in Nov'20. In a separate print, jobless claims rose by 137,000 to 853,000 (3-month high) as on 5 Dec 2020 compared to its previous week, amidst lockdown restrictions.
- ECB extended its Pandemic emergency purchase programme (PePP) by € 500mn to € 1.85tn euros, in order to boost the economy. The measures have been extended further by 9 months to at least Mar'22, with reinvestments to be made till CY23. ECB noted, this will provide credit flow to all sectors and safeguard medium-term price stability.

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Markets

- Bonds:** Global yields closed broadly lower. US 10Y yield fell by 3bps (0.91%) amidst weaker labour market scenario. UK 10Y yield fell the most by 6bps (0.2%) amidst Brexit woes. Crude prices rose by 2.8% to US\$ 50/bbl (1st time since Mar'20) amidst concerns over attack in Iraq oil field. India's 10Y yield closed flat at 5.92%. It is trading higher at 5.94% today.
- Currency:** Global currencies closed mixed. EUR rose by 0.5% on the back of ECB stimulus program, while GBP fell by 0.8% weighed down by Brexit negotiations. DXY fell by 0.3% as investors await details of US fiscal stimulus deal. INR fell by 0.1% as Brent remained higher. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring FTSE and Shanghai Comp, other global indices ended lower as Brexit negotiations continued to drag on. Amongst other indices, both Dax and Sensex ended lower by 0.3% each. The fall in domestic market was led by power stocks. However, it is trading higher today, while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.91	(3)	0	(2)	23	(99)
UK	0.20	(6)	(12)	(17)	(3)	(62)
Japan	0.02	(1)	(1)	(1)	(1)	3
Germany	(0.60)	0	(5)	(9)	(17)	(33)
India	5.92	0	7	4	(13)	(86)
China	3.29	(2)	(2)	5	19	10
2Y yields (Δ bps)						
US	0.14	(1)	(1)	(3)	(0)	(152)
UK	(0.12)	(4)	(7)	(11)	(1)	(70)
Japan	(0.13)	(1)	(2)	0	(1)	0
Germany	(0.77)	1	(3)	(4)	(10)	(14)
India	3.93	(2)	(2)	(18)	(56)	(183)
China	2.83	(2)	(6)	7	25	23
Currencies (Δ %)						
EUR	1.2138	0.5	0	2.8	2.7	9.1
GBP	1.3295	(0.8)	(1.2)	1.0	3.8	1.0
JPY	104.24	0	(0.4)	1.1	1.8	4.6
AUD	0.7535	1.2	1.3	3.4	3.8	9.1
INR	73.67	(0.1)	0.4	0.6	(0.3)	(4.0)
CNY	6.5440	0	0	1.3	4.2	6.3
Equity & Other indices (Δ %)						
Dow	29,999	(0.2)	0.1	2.9	9.0	6.6
FTSE	6,600	0.5	1.7	6.7	9.9	(9.3)
DAX	13,296	(0.3)	0.3	1.5	0.7	0.6
NIKKEI	26,756	(0.2)	(0.2)	7.7	15.2	14.2
Shanghai Comp	3,373	0	(2.0)	0	4.3	15.7
SENSEX	45,960	(0.3)	3.0	7.9	18.3	13.3
Brent (US\$/bbl)	50.25	2.8	3.2	18.5	25.4	(21.7)
Gold (US\$/oz)	1,837	(0.2)	(0.2)	(1.4)	(5.6)	25.0
CRB Index	433.9	0	1.6	4.0	8.7	9.9
Rogers Agri Index	826.7	0.5	0.4	2.8	12.1	12.3
LIBOR (3M)*	0.22	(1)	0	2	(3)	(167)
INR 5Y Swap*	5.25	1	4	17	(36)	(133)
India FII data (US\$ mn)						
	9 Dec	8 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	10.6	64.8	51.0	304.3	(14,314.9)	(4,555.4)
FII-Equity	496.4	423.3	1,382.7	2,813.4	18,919.2	25,522.1

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

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