

**MACRO DAILY**

12 November 2020

**Macro developments**

- In an effort to boost manufacturing, government has approved Production Linked Incentives (PLI) for 10 sectors including white goods, auto and battery manufacturing. Total amount of sops amount to Rs 1.47tn. Earlier, PLI scheme worth Rs 500bn and Rs 100bn have been rolled out for electronics and active pharmaceutical ingredients (APIs) respectively.
- RBI has published an Economic Activity Index (EAI) for India which has been constructed from 27 high frequency indicators. This index has been used to nowcast the real GDP for Q2FY21, which is expected to contract by 8.6% for the same period. Despite predicting to have entered in technical recession, the recent performance of these indicators points towards positive growth in Q3FY21. For FY21, RBI projected GDP to contract by 9.5%.
- Japan's economy continued to show early signs of recovery from the lows seen during the ongoing Covid-19 pandemic. It was reflected by slower than anticipated pace of contraction in machine tool orders at 5.9% in Oct'20 compared with a decline of 15.1% in Sep'20. This in turn is expected to translate in to higher corporate spending which is a proxy indicator of the same.

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**Markets**

- **Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (0.98%) supported by election results and optimism over potential vaccine. Germany 10Y yield fell by 2bps (-0.51%) as ECB hinted at more stimulus. Crude prices rose by 0.4% (US\$ 44/bbl) amidst news of deepening of production cut. India's 10Y yield fell by 1bps (5.91%). It is trading flat today, ahead of CPI data.
- **Currency:** Global currencies closed broadly lower against the dollar. DXY rose by 0.3% amidst cheer over Covid-19 vaccine. GBP dropped by 0.4%. INR too fell by 0.3% on the back of higher oil prices. It is trading higher today while Asian currencies are trading lower.
- **Equity:** Barring Dow and Shanghai Comp, other global indices ended higher. Amongst other indices, Nikkei (1.8%) gained the most followed by FTSE (1.4%). Sensex (0.7%) rose by led by a rally in metal and tech stocks. However, it is trading lower today while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.98	2	21	20	30	(91)
UK	0.41	1	21	13	18	(35)
Japan	0.04	0	0	1	0	8
Germany	(0.51)	(2)	13	2	(6)	(21)
India	5.91	(1)	2	(3)	6	(62)
China	3.25	2	8	6	27	2
<b>2Y yields (Δ bps)</b>						
US	0.18	0	4	3	2	(146)
UK	0.00	(1)	7	2	(1)	(56)
Japan	(0.12)	(1)	(1)	0	(2)	6
Germany	(0.72)	0	8	0	(5)	(9)
India	4.14	0	(3)	(13)	(11)	(139)
China	2.78	2	8	16	54	9
<b>Currencies (Δ %)</b>						
EUR	1.1777	(0.3)	0.4	(0.4)	(0.1)	7.0
GBP	1.3222	(0.4)	1.8	1.4	1.4	2.9
JPY	105.43	(0.1)	(0.9)	0.2	1.4	3.1
AUD	0.7281	0	1.4	0.6	1.7	6.5
INR	74.37	(0.3)	0.5	(1.7)	0.6	(3.2)
CNY	6.6310	(0.2)	0.3	1.0	4.4	5.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	29,398	(0.1)	5.6	2.8	5.1	5.8
FTSE	6,382	1.4	8.5	6.1	1.6	(13.2)
DAX	13,216	0.4	7.2	1.3	1.2	(0.1)
NIKKEI	25,350	1.8	7.0	7.3	11.0	8.7
Shanghai Comp	3,342	(0.5)	2.0	2.1	0.7	15.0
SENSEX	43,594	0.7	7.3	7.6	13.6	8.7
Brent (US\$/bbl)	43.80	0.4	6.2	2.2	(3.6)	(29.8)
Gold (US\$/oz)	1,866	(0.6)	(2.0)	(3.4)	(2.6)	27.5
CRB Index	417.0	(0.1)	1.0	1.6	10.2	6.8
Rogers Agri Index	815.4	(0.1)	2.9	5.6	17.0	11.8
LIBOR (3M)*	0.20	1	(2)	(1)	(5)	(170)
INR 5Y Swap*	5.10	(2)	(2)	(21)	(15)	(133)
<b>India FII data (US\$ mn)</b>						
	<b>10 Nov</b>	<b>9 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(24.8)	119.3	94.5	180.2	(14,049.5)	(4,290.0)
FII-Equity	191.8	598.7	790.5	2,522.8	9,069.2	15,672.2

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

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