

## MACRO DAILY

13 November 2020

### Macro developments

- Fiscal stimulus under Atmanirbhar Bharat 3.0 package is pegged at Rs 2.65tn. Focus is on manufacturing, rural, exports and infrastructure. Credit guarantee scheme has been extended till 31 Mar 2021 and 26 stressed sectors too have been included. While government spending has been muted, private sector revival is visible in high frequency indicators as India's Covid-19 infection rate has seen a substantial reduction.
- India's Industrial production rebounded sharply to 0.2% in Sep'20 from a decline of 7.4% in Aug'20 with improvement across sectors. CPI inflation rose to 7.6% in Oct'20, a 77-month high, led by food especially vegetables and pulses. Protein inflation may not fall soon. Core inflation remained sticky at 5.9% with jump in housing and recreation and amusement.
- US CPI remained flat in Oct'20 (est.: 0.2% increase) following a 0.2% increase in Sep'20. Even CPI excluding food and energy remained flat, showing muted demand conditions. Separately, jobless claims for the week ending 7 Nov 2020 fell to 709,000 against 751,000 seen in previous week, showing some revival in labour market.

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### Markets

- **Bonds:** Except India and China, global yields closed lower due to surge in Covid-19 infections. Both US Fed and ECB warned of uncertain economic outlook. US 10Y yield fell by 9bps (0.88%). Crude prices fell by 0.6% (US\$ 44/bbl) amidst rising US inventory. India's 10Y yield closed flat at 5.91%. It is trading at 5.9% today despite higher CPI print in Oct'20.
- **Currency:** Global currencies closed mixed, stoked by fears of resurgence in Covid-19 cases and dimming the hopes of vaccine. DXY fell by 0.1%. GBP dropped by 0.8% as Brexit timeline was extended further. INR too fell by 0.4%. It is trading flat today while other Asian currencies are trading lower.
- **Equity:** Barring Nikkei, other global indices ended lower as optimism over Covid-19 vaccine faded. Amongst other indices, Dax (1.2%) declined the most followed by Dow (1.1%). Sensex (0.5%) too fell led by banking stocks. 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
<b>10Y yields (Δ bps)</b>						
US	0.88	(9)	12	11	16	(94)
UK	0.35	(7)	11	8	11	(36)
Japan	0.03	(1)	1	0	(1)	10
Germany	(0.54)	(3)	10	1	(12)	(19)
India	5.91	0	4	1	4	(61)
China	3.26	1	7	8	30	1
<b>2Y yields (Δ bps)</b>						
US	0.18	0	3	2	1	(141)
UK	(0.04)	(4)	1	(1)	(3)	(57)
Japan	(0.13)	(1)	0	0	(2)	7
Germany	(0.72)	(1)	6	0	(8)	(8)
India	4.14	(1)	1	(13)	(10)	(136)
China	2.80	2	8	19	55	13
<b>Currencies (Δ %)</b>						
EUR	1.1806	0.2	(0.2)	(0.1)	(0.1)	7.1
GBP	1.3118	(0.8)	(0.2)	0.4	0.4	1.8
JPY	105.13	0.3	(1.6)	0.2	1.7	3.0
AUD	0.7232	(0.7)	(0.7)	0.3	1.2	6.6
INR	74.65	(0.4)	(0.3)	(1.9)	0.3	(3.7)
CNY	6.6130	0.3	(0.1)	2.0	4.8	5.8
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	29,080	(1.1)	2.4	0.8	4.2	4.7
FTSE	6,339	(0.7)	7.3	5.6	2.5	(13.1)
DAX	13,053	(1.2)	3.9	(0.7)	0.5	(1.0)
NIKKEI	25,521	0.7	5.9	8.3	9.8	10.3
Shanghai Comp	3,339	(0.1)	0.6	(0.6)	0.5	14.7
SENSEX	43,357	(0.5)	4.9	6.8	13.2	7.6
Brent (US\$/bbl)	43.50	(0.6)	6.4	4.3	(3.2)	(30.1)
Gold (US\$/oz)	1,877	0.6	(3.7)	(2.4)	(3.9)	27.6
CRB Index	416.9	0	0.5	1.7	9.6	6.6
Rogers Agri Index	811.9	(0.4)	1.3	6.2	14.8	11.2
LIBOR (3M)*	0.20	1	1	(1)	(6)	(168)
INR 5Y Swap*	5.10	3	6	(17)	(13)	(127)
<b>India FII data (US\$ mn)</b>						
	<b>11 Nov</b>	<b>10 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	10.7	(24.8)	105.2	190.9	(14,038.8)	(4,279.3)
FII-Equity	1,155.5	191.8	1,946.0	3,678.3	10,224.7	16,827.7

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

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