

MACRO DAILY

13 October 2020

Macro developments

- Government of India has announced a slew of measures like LTC cash voucher, restoring the festival advance scheme for central and state government employees in order to boost demand in the economy. The demand infusion is expected to be around Rs 280bn. Additionally, it will also issue an interest-free 50 year loan to states amounting to Rs 120bn to boost capex.
- RBI purchased net US\$ 5.3bn in the spot market in Aug'20 compared with net purchase of US\$ 16bn in Jul'20. In FYTD21, RBI has purchased net US\$ 34.3bn in the spot market compared with net purchase of US\$ 5.7bn in FYTD20. In the forwards market, RBI purchased US\$ 10.7bn in Aug'20. Its net outstanding forward position stands at US\$ 10.4bn.
- China's exports rose by 9.9% in Sep'20 versus 9.5% increase in Aug'20. This was led by continued increase in exports of medical supplies. In CYTD20, contraction in exports has eased to 0.8% from 6.6% in H1CY20. In Sep'20 imports too improved significantly, rising by 13.2% following a 2.1% decline in Aug'20 owing to revival in domestic demand and infra spending.

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Markets

- Bonds:** Except US and Japan, global yields closed lower. US 10Y yield closed flat at 0.77% as prospects of an effective US fiscal stimulus bill were dented. Crude prices fell by 2.6% (US\$ 41.7/bbl) driven by supply concerns (Libya has restarted production). India's 10Y yield closed 4bps lower (5.90%) as FM's stimulus announcements are not expected to add additional cash outflow for the government. It is trading at 5.89% today.
- Currency:** Except GBP and JPY, other global currencies closed lower against the dollar. DXY closed flat. CNY depreciated by 0.8% after PBOC tweaked its reserves requirements for forwards trading. GBP gained by 0.2% even as UK introduced new measures to curb the spread of COVID-19. INR depreciated by 0.2%. It trading further lower today in line with other Asian currencies.
- Equity:** Barring FTSE and Nikkei, other global indices ended higher. Shanghai Comp (2.6%) surged the most as PBOC announced a rule change and investors continued to monitor yuan movement. Sensex gained by 0.2% led by tech stocks. 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	0.77	0	(1)	11	16	(96)
UK	0.27	(1)	(2)	9	9	(37)
Japan	0.03	0	1	1	(1)	21
Germany	(0.55)	(2)	(4)	(6)	(13)	(9)
India	5.90	(4)	(11)	(14)	11	(59)
China	3.18	(1)	3	3	12	2
2Y yields (Δ bps)						
US	0.15	0	1	3	0	(144)
UK	(0.03)	(1)	(1)	10	8	(53)
Japan	(0.13)	(1)	0	0	0	16
Germany	(0.73)	(1)	(3)	(3)	(7)	(2)
India	4.26	(1)	(9)	(22)	11	(138)
China	2.62	0	1	1	48	5
Currencies (Δ %)						
EUR	1.1813	(0.1)	0.3	(0.3)	4.1	7.1
GBP	1.3064	0.2	0.7	2.1	4.1	3.6
JPY	105.33	0.3	0.4	0.8	1.8	2.8
AUD	0.7209	(0.4)	0.4	(1.0)	3.9	6.4
INR	73.27	(0.2)	0	0.4	2.5	(2.9)
CNY	6.7459	(0.8)	0.7	1.3	3.6	4.6
Equity & Other indices (Δ %)						
Dow	28,838	0.9	2.4	4.2	10.5	7.7
FTSE	6,001	(0.3)	1.0	(0.5)	(2.8)	(16.8)
DAX	13,138	0.7	2.4	(0.5)	2.6	5.2
NIKKEI	23,559	(0.3)	1.1	0.7	3.4	8.1
Shanghai Comp	3,358	2.6	4.4	3.0	(2.5)	11.7
SENSEX	40,594	0.2	4.2	4.5	10.6	6.2
Brent (US\$/bbl)	41.72	(2.6)	1.0	4.7	(2.3)	(29.7)
Gold (US\$/oz)	1,923	(0.4)	0.5	(0.9)	6.7	28.8
CRB Index	410.3	1.0	1.3	2.3	12.9	4.7
Rogers Agri Index	764.1	(1.1)	1.1	3.0	11.7	5.2
LIBOR (3M)*	0.22	0	0	(3)	(5)	(178)
INR 5Y Swap*	5.31	(2)	(9)	(27)	6	(109)
India FII data (US\$ mn)						
	9 Oct	8 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	399.4	(35.2)	179.6	(63.2)	(14,743.0)	(4,983.5)
FII-Equity	(171.4)	167.3	326.1	579.9	4,619.9	11,222.9

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

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