

## MACRO DAILY

15 December 2020

### Macro developments

- India's CPI eased to a 3-month low of 6.9% in Nov'20 (7.6% in Oct'20) driven by lower food inflation at 9.4% (11% in Oct'20). Core remains sticky at 5.9%. While near-term outlook for inflation is favourable on the back of a high base and recent decline in food inflation, it is still estimated to remain above RBI's target of 4% thus leaving no room for a rate cut.
- China's industrial production rose by 7% in Nov'20 following 6.9% increase in Oct'20 supported by robust exports which have fuelled the demand for work from home and medical equipment. This was also helped by pick up in FAI, which has risen by 2.6% in Jan-Nov'20 from 1.8% in Jan-Oct'20. Retail sales have also improved, increasing by 5% in Nov'20 from 4.3% in Oct'20, highest since Dec'19 (8%).
- RBA in its minutes reiterated its focus on bond buying programme as it remains prepared to add more stimulus to the economy. It noted, substantial policy support is needed for a considerable period of time. It also observed that while labour market is recovering at much faster pace, this recovery is uneven and protracted period of unemployment lies ahead.

**Sonal Badhan | Sameer Narang**
[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield closed flat at 0.89% as investors remained cautious awaiting Fed's policy decision. UK 10Y yield rose the most by 5bps (0.22%) amidst developments over Brexit. Crude prices rose by 0.6% (US\$ 50/bbl). India 10Y yield fell by 1bps (5.95%). It is trading lower at 5.93% today, due to 3-month low CPI print.
- Currency:** Global currencies closed mixed. While GBP (0.8%) and EUR (0.3%) rose the most, CNY (0.1%) depreciated the most. DXY fell by 0.3% as risk appetite improved. Hopes of a Brexit deal, US fiscal stimulus and vaccine rollout helped boost sentiment. INR rose by 0.1%. However, it is trading lower today in line with other Asian currencies.
- Equity:** Barring Dow and FTSE, other global indices ended higher driven by vaccine optimism. Amongst other indices, Dax (0.8%) gained the most followed by Shanghai Comp (0.7%). Sensex (0.3%) too ended in green led by rally in cap goods 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
<b>10Y yields (Δ bps)</b>						
US	0.89	0	(3)	0	22	(98)
UK	0.22	5	(6)	(12)	3	(60)
Japan	0.01	0	(1)	(1)	(1)	2
Germany	(0.62)	2	(4)	(7)	(14)	(34)
India	5.95	(1)	3	7	(8)	(85)
China	3.31	0	1	3	15	11
<b>2Y yields (Δ bps)</b>						
US	0.12	0	(3)	(6)	(2)	(151)
UK	(0.09)	2	(1)	(6)	1	(68)
Japan	(0.13)	1	0	0	(1)	(0)
Germany	(0.77)	1	(1)	(4)	(7)	(14)
India	3.91	(1)	(1)	(19)	(57)	(190)
China	2.82	(1)	(5)	0	21	23
<b>Currencies (Δ %)</b>						
EUR	1.2144	0.3	0.3	2.6	2.3	9.0
GBP	1.3324	0.8	(0.4)	1.0	3.7	(0.1)
JPY	104.05	0	0	0.6	1.6	5.0
AUD	0.7535	0	1.5	3.6	3.4	9.4
INR	73.56	0.1	0.5	1.4	(0.1)	(3.6)
CNY	6.5510	(0.1)	(0.3)	0.8	3.8	6.3
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	29,862	(0.6)	(0.7)	1.3	6.7	5.8
FTSE	6,532	(0.2)	(0.4)	3.4	8.4	(13.1)
DAX	13,223	0.8	(0.4)	1.1	0.2	(1.4)
NIKKEI	26,732	0.3	0.7	5.3	13.5	11.6
Shanghai Comp	3,369	0.7	(1.4)	1.8	2.8	12.9
SENSEX	46,253	0.3	1.8	6.5	19.3	13.0
Brent (US\$/bbl)	50.29	0.6	3.1	17.6	27.0	(23.0)
Gold (US\$/oz)	1,827	(0.7)	(1.9)	(3.3)	(6.6)	23.8
CRB Index	435.7	0	0.6	4.8	7.6	9.2
Rogers Agri Index	830.3	(0.1)	1.4	2.2	11.4	10.9
LIBOR (3M)*	0.22	0	(1)	(1)	(2)	(168)
INR 5Y Swap*	5.25	1	5	11	(34)	(133)
<b>India FII data (US\$ mn)</b>						
	<b>11 Dec</b>	<b>10 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	326.0	41.5	418.5	671.8	(13,947.4)	(4,187.8)
FII-Equity	684.5	476.9	2,544.1	3,974.8	20,080.6	26,683.5

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

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### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)