

MACRO DAILY

15 October 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 21bn and stood at Rs 27tn for the week ending 9 Oct 2020. Reserve money rose by 13.9% on a YoY basis, compared with 13.5% a year ago. On FYTD basis, reserve money increased by 6.2% as against 2% a year ago.
- US PPI rose by 0.4% in Sep'20 (est. 0.2% increase) from 0.3% in Aug'20 on a MoM basis. This was led by higher prices of services (0.4% increase), in particular travel related services. Prices of goods also increased by 0.4%. Within goods, lower prices of energy (dip of 0.3%) were offset by a 1.2% increase in prices of food items.
- China's PPI fell by 2.1% in Sep'20 (est.: 1.8% fall) from 2% decline in Aug'20. While a part of it can be explained by drop international oil prices in Sep'20, the other key concern is slowing industrial demand. Domestic demand too remains muted as CPI eased to 1.7% in Sep'20 (lowest since Feb'19) from 2.4% in Aug'20. Drop in food prices was the key driver. Core inflation remained unchanged from Aug'20 at 0.5%.

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Markets

- **Bonds:** Global yields closed mixed with US 10Y yield closing unchanged at 0.73%. Diminishing hopes of US fiscal stimulus impacted investor sentiments. Crude prices rose by 2% (US\$ 43/bbl) on reports of declining stockpiles in the US. India's 10Y yield closed flat at 5.9% ahead of RBI's scheduled OMO purchases today. It is trading at the same levels today.
- **Currency:** Except EUR and AUD (flat), other global currencies closed higher against the dollar. DXY fell by 0.2% amidst uncertainty over US fiscal stimulus. GBP appreciated by 0.6% as the EU and UK made progress on Brexit trade deal. INR rose by 0.1%. It is trading further higher today in line with other Asian currencies.
- **Equity:** Global indices ended mixed led by impasse over US stimulus and uncertainty over global recovery. Dow, FTSE and Shanghai Comp, all declined by 0.6%. However, Sensex (0.4%) ended in green led by advancement in banking, real estate and cap goods 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
10Y yields (Δ bps)						
US	0.73	0	(6)	6	10	(101)
UK	0.22	(2)	(8)	4	5	(49)
Japan	0.03	0	(1)	1	0	19
Germany	(0.58)	(2)	(9)	(10)	(14)	(19)
India	5.90	0	(11)	(14)	9	(56)
China	3.22	3	7	7	26	5
2Y yields (Δ bps)						
US	0.14	0	(1)	1	(2)	(144)
UK	(0.05)	(1)	(4)	8	4	(61)
Japan	(0.13)	0	(1)	0	1	13
Germany	(0.75)	(1)	(5)	(5)	(8)	(7)
India	4.27	0	(9)	(21)	11	(133)
China	2.63	2	3	3	50	8
Currencies (Δ %)						
EUR	1.1746	0	(0.1)	(0.8)	2.9	6.1
GBP	1.3012	0.6	0.7	1.7	3.4	1.4
JPY	105.17	0.3	0.8	0.9	1.7	3.3
AUD	0.7162	0	0.3	(1.7)	2.2	6.0
INR	73.30	0.1	0	0.3	2.5	(2.6)
CNY	6.7150	0.5	1.1	1.7	3.9	5.3
Equity & Other indices (Δ %)						
Dow	28,514	(0.6)	0.7	3.1	6.1	5.6
FTSE	5,935	(0.6)	(0.2)	(1.6)	(5.7)	(17.2)
DAX	13,028	0.1	0.8	(1.3)	0.8	2.8
NIKKEI	23,627	0.1	0.9	0.9	3.0	5.1
Shanghai Comp	3,341	(0.6)	3.8	2.5	(0.6)	12.2
SENSEX	40,795	0.4	2.3	5.0	13.2	5.7
Brent (US\$/bbl)	43.32	2.0	3.2	8.8	(1.1)	(27.1)
Gold (US\$/oz)	1,902	0.5	0.7	(2.0)	5.0	27.6
CRB Index	410.5	0.1	1.0	2.4	12.2	4.4
Rogers Agri Index	773.7	0.8	0.7	4.3	12.4	6.4
LIBOR (3M)*	0.24	1	1	(1)	(4)	(177)
INR 5Y Swap*	5.29	0	(7)	(29)	3	(118)
India FII data (US\$ mn)						
	13 Oct	12 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	27.1	78.1	105.1	41.9	(14,637.8)	(4,878.3)
FII-Equity	255.7	241.5	497.2	1,077.0	5,117.1	11,720.1

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

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