

MACRO DAILY

15 September 2020

Macro developments

- ADB expects India's GDP to contract by 9% in FY21 versus 4% decline estimated earlier. It notes that the rapid spread of COVID-19 has led to a decline in private consumption and investment. Hence economic activity is unlikely to see a revival in FY21. However, GDP growth is expected to bounce back to 8% in FY22 versus 5% increase earlier.
- Government has asked Parliament's approval for Rs 2.4tn additional expenditure in FY21. Out of which Rs 688.7bn will be met through savings. Most of the expense will be for allocation under the Atmanirbhar Bharat scheme. Apart from this, Rs 466bn will be for grants to States, Rs 200bn for PSB recap, Rs 40bn for providing sovereign guarantee to MSMEs.
- China's industrial production rose by 5.6% in Aug'20 from 4.8% increase in Jul'20. The sharp acceleration is supported by fiscal stimulus and recovering external demand. The FAI fell by only 0.3% between Jan-Aug'20 versus 1.6% decline in Jan-Jul'20, indicating higher capital spending by government and private sector. In addition, with improving domestic demand, retail sales were up by 0.5% in Aug'20 versus 1.1% decline in Jul'20.

Jahnavi | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps (0.67%) as investors are cautious ahead of Fed policy decision. UK 10Y yield also rose by 1bps amidst developments over Brexit. Crude prices fell by 0.6% (US\$ 40/bbl) as OPEC downgraded oil demand forecast for CY20. India's 10Y yield closed lower by 1bps (6.03%). It is trading at 6.04% today.
- **Currency:** Global currencies closed higher against the dollar. DXY fell by 0.3% ahead of US Fed meet. GBP rose by 0.4% despite the ongoing Brexit turmoil. EUR also continued to surge and rose by 0.2%. INR rose by 0.1%. It is trading further higher today in line with other Asian currencies.
- **Equity:** Global indices ended mixed ahead of the Fed's policy meet. European indices ended in red. However, Dow (1.2%) gained driven by renewed optimism over COVID-19 vaccine. Sensex (0.3%) on the other hand was dragged lower by banking stocks. It is trading higher 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	0.67	1	(5)	(4)	(5)	(117)
UK	0.19	1	(5)	(5)	(1)	(50)
Japan	0.02	(1)	(3)	(3)	1	17
Germany	(0.48)	0	(2)	(6)	(3)	0
India	6.03	(1)	4	8	24	(68)
China	3.15	0	0	21	34	6
2Y yields (Δ bps)						
US	0.14	1	(1)	(1)	(5)	(162)
UK	(0.10)	3	(1)	(8)	(6)	(62)
Japan	(0.12)	0	0	(1)	4	12
Germany	(0.70)	(1)	0	(5)	(4)	3
India	4.49	1	7	24	9	(128)
China	2.62	1	1	36	66	8
Currencies (Δ %)						
EUR	1.1866	0.2	0.4	0.2	4.8	7.9
GBP	1.2846	0.4	(2.4)	(1.8)	1.9	3.3
JPY	105.73	0.4	0.5	0.8	1.5	2.2
AUD	0.7288	0.1	0.2	1.6	5.3	6.2
INR	73.48	0.1	(0.2)	1.9	3.4	(2.6)
CNY	6.8105	0.3	0.3	2.0	4.0	3.6
Equity & Other indices (Δ %)						
Dow	27,993	1.2	(0.5)	0.2	8.7	3.4
FTSE	6,026	(0.1)	1.5	(1.0)	(0.6)	(17.7)
DAX	13,194	(0.1)	0.7	2.3	10.8	6.6
NIKKEI	23,559	0.7	2.0	1.2	9.4	7.1
Shanghai Comp	3,279	0.6	(0.4)	(2.4)	13.5	8.2
SENSEX	38,757	(0.3)	0.9	2.3	16.6	4.4
Brent (US\$/bbl)	39.61	(0.6)	(5.7)	(11.6)	(0.3)	(42.6)
Gold (US\$/oz)	1,957	0.8	1.2	0.6	13.4	30.6
CRB Index	404.8	1.4	1.6	6.0	11.1	4.7
Rogers Agri Index	745.4	0.5	1.3	5.2	10.9	5.6
LIBOR (3M)*	0.25	0	1	(2)	(5)	(189)
INR 5Y Swap*	5.58	0	(3)	24	38	(83)
India FII data (US\$ mn)						
	10 Sep	11 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(56.3)	2.3	7.9	167.7	(14,922.3)	(5,162.8)
FII-Equity	334.5	125.4	331.3	179.3	4,986.6	11,589.6

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com