

MACRO DAILY

17 November 2020

Macro developments

- As per news reports, Department of Investment and Public Asset Management (DIPAM) has signed an agreement with World Bank for providing advisory services on asset monetization. This would constitute benchmarking its institutional and business models against international best practices. Government's disinvestment target has been set at Rs 2.1tn in FY21, of which, Rs 1.2tn is to be raised through CPSEs.
- India's WPI rose to 1.5% in Oct'20 (1.3% in Sep'20) led by core (1.7% in Oct'20 from 1% in Sep'20). Food prices showed moderation (5.8% in Oct'20 from 6.9% in Sep'20), led by cereals and a few protein based items. The moderation in food inflation bodes well for CPI. However, its trajectory will remain above RBI's target thus leaving limited room to reduce policy rates.
- China's industrial production continued its steady growth in Oct'20, rising by 6.9% (same as Sep'20) versus est.: 6.5%, supported by policy stimulus and resilient exports. Smelters and refineries led the growth in Oct'20. FAI also rose by 1.8% between Jan-Oct'20 versus 0.8% increase in Jan-Sep'20. With Covid-19 cases down in China, retail sales also rose by 4.3% in Oct'20 from 3.3% in Sep'20, supported by auto sales and tourism.

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Markets

- Bonds:** Global yields closed mixed amidst rising COVID-19 cases globally, possibility of a trade deal between UK and EU post Brexit and transition to Biden's administration. US 10Y yield rose by 1bps (0.91%). Crude prices rose by 2.4% (US\$ 44/bbl) ahead of OPEC+ meeting. India's 10Y yield is trading flat today at 5.88%.
- Currency:** Major global currencies closed higher as hopes for a working vaccine supported investor sentiments. EUR and GBP rose by 0.2% and 0.1% respectively, following news reports that UK and EU could reach a post-Brexit deal soon. DXY fell by 0.1%. Today, INR is trading higher in line with other Asian currencies.
- Equity:** Global indices ended higher on hopes of an effective vaccine and signing of RCEP among 15 economies. Nikkei raised the most by 2.1% followed by FTSE (1.7%) and Dow (1.6%). Sensex is trading at record high 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	0.91	1	(2)	16	22	(91)
UK	0.35	1	(2)	17	13	(40)
Japan	0.02	0	0	0	(3)	10
Germany	(0.55)	0	(4)	8	(9)	(21)
India	5.88	(3)	1	(2)	(7)	(64)
China	3.27	0	3	5	32	8
2Y yields (Δ bps)						
US	0.18	0	1	3	3	(142)
UK	(0.03)	0	(2)	3	2	(60)
Japan	(0.13)	0	0	0	(2)	7
Germany	(0.72)	1	1	5	(6)	(10)
India	4.10	(3)	(1)	(16)	(15)	(137)
China	2.83	1	7	11	57	14
Currencies (Δ %)						
EUR	1.1852	0.2	0.3	1.1	(0.2)	7.0
GBP	1.3199	0.1	0.3	2.2	0.7	1.9
JPY	104.58	0	0.8	0.8	1.3	3.8
AUD	0.7320	0.7	0.5	3.4	1.5	7.5
INR	74.61	0.1	(0.6)	(1.8)	0.4	(3.9)
CNY	6.5848	0.3	0.7	1.7	5.0	6.3
Equity & Other indices (Δ %)						
Dow	29,950	1.6	2.7	4.7	7.6	6.8
FTSE	6,421	1.7	3.8	8.5	4.8	(12.1)
DAX	13,139	0.5	0.3	1.8	1.7	(0.5)
NIKKEI	25,907	2.1	4.3	10.7	12.2	10.6
Shanghai Comp	3,347	1.1	(0.8)	0.3	(2.7)	15.0
SENSEX	43,443	0.2	3.7	6.5	14.7	7.6
Brent (US\$/bbl)	43.82	2.4	3.3	2.1	(3.4)	(29.8)
Gold (US\$/oz)	1,889	0	1.4	(0.5)	(4.9)	28.4
CRB Index	420.3	1.1	0.7	2.1	9.5	8.1
Rogers Agri Index	820.5	1.0	2.0	4.9	14.5	13.2
LIBOR (3M)*	0.22	0	2	(1)	(5)	(168)
INR 5Y Swap*	5.14	(1)	6	(16)	(21)	(132)
India FII data (US\$ mn)						
	12 Nov	11 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(42.7)	10.7	62.5	148.2	(14,081.5)	(4,322.0)
FII-Equity	478.1	1,155.5	2,424.1	4,156.3	10,702.8	17,305.7

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Indian markets were closed on 16.11.2020

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