

MACRO DAILY

18 December 2020

Macro developments

- Centre's net direct tax collections improved in Q3FY21 as it fell by only 13% till 16 Dec 2020 versus 25% drop seen between Apr-Sep'20. Net tax collections so far stand at Rs 5.89tn versus Rs 6.75tn last year in the same period. Advance direct tax collections in Q3 alone rose by 33%. Overall collections are at nearly 45% of the budgeted levels (Rs 13.19tn) so far.
- Bank of England kept rate on hold (0.1%) as Covid-19 outlook continues to remain uncertain. It also retained the QE programme unchanged at £ 895bn. It noted reduced downside risks to growth with the rollout of the Covid-19 vaccine and expects the recent measures by the government will boost growth by over 1% in CY22.
- US housing starts rose by 1.2% on a MoM basis in Nov'20 to 1.55mn units, bringing it closer to the pre-pandemic level of 1.57mn units in Feb'20. This was led by single-family homebuilding which rose by 0.4% to 1.18mn units, a 13-year high. Separately, US jobless claims for the week ended 12 Dec 2020 rose by 23,000 to 885,000, highest since Sep'20. This was the second straight weekly increase amidst a resurgence in Covid-19 cases.

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Markets

- **Bonds:** Global yields closed mixed. Both US and UK 10Y yield rose by 2bps each amidst hopes of forthcoming US fiscal stimulus and Brexit deal. Crude prices rose by 0.8% (US\$ 52/bbl) on hopes of revival in demand. India 10Y yield rose by 1bps (5.95%), despite announcement of Rs 100bn OMO purchase. It is trading flat today, ahead of release of MPC minutes.
- **Currency:** Except INR and CNY which closed stable, other global currencies ended higher. DXY fell by 0.7% to its lowest since Apr'18 as negotiations of US fiscal stimulus continued. GBP rose by 0.6% to a more than 2-year high, amidst ongoing deliberations on UK-EU trade deal and as BoE left its stimulus programme unchanged. INR is trading higher today while other Asian currencies are trading lower.
- **Equity:** Barring FTSE, other global indices ended higher driven by hopes of US fiscal stimulus. Amongst other indices, Shanghai Comp gained the most followed by Dax. Sensex (0.5%) continued its bull run and ended at record high led by cap good stocks. However, it is trading lower 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	0.93	2	3	3	24	(99)
UK	0.29	2	9	(6)	10	(52)
Japan	0.01	0	0	(1)	(1)	1
Germany	(0.57)	0	3	(2)	(8)	(34)
India	5.95	1	3	7	(8)	(80)
China	3.29	(1)	1	2	15	6
2Y yields (Δ bps)						
US	0.12	1	(2)	(6)	(1)	(151)
UK	(0.05)	3	6	(3)	6	(61)
Japan	(0.12)	0	1	1	1	(2)
Germany	(0.73)	0	4	0	(3)	(10)
India	3.88	1	(5)	(22)	(56)	(194)
China	2.73	(1)	(10)	(10)	12	14
Currencies (Δ %)						
EUR	1.2268	0.6	1.1	3.5	3.5	10.3
GBP	1.3585	0.6	2.2	2.9	4.7	4.4
JPY	103.11	0.3	1.1	1.4	1.6	5.7
AUD	0.7622	0.6	1.2	4.1	4.2	10.7
INR	73.59	0	0.1	1.4	0.1	(3.6)
CNY	6.5338	0	0.2	0.8	3.4	6.8
Equity & Other indices (Δ %)						
Dow	30,303	0.5	1.0	1.2	8.6	6.8
FTSE	6,551	(0.3)	(0.7)	2.0	8.3	(13.5)
DAX	13,667	0.7	2.8	4.0	3.5	3.4
NIKKEI	26,807	0.2	0.2	3.5	15.0	12.3
Shanghai Comp	3,405	1.1	0.9	1.7	4.1	12.9
SENSEX	46,890	0.5	2.0	7.9	20.3	12.5
Brent (US\$/bbl)	51.50	0.8	2.5	17.5	18.9	(22.6)
Gold (US\$/oz)	1,885	1.1	2.7	(0.2)	(3.0)	27.5
CRB Index	437.6	0.2	0.8	4.1	7.2	9.9
Rogers Agri Index	845.7	1.4	2.3	3.1	12.0	13.3
LIBOR (3M)*	0.24	1	2	2	1	(169)
INR 5Y Swap*	5.30	2	4	16	(25)	(135)
India FII data (US\$ mn)						
	16 Dec	15 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(48.7)	(88.6)	91.5	763.3	(13,855.9)	(4,096.4)
FII-Equity	274.3	313.8	1,060.9	5,035.7	21,141.4	27,744.4

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

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