

MACRO DAILY

19 November 2020

Macro developments

- As per news reports, government has received Rs 724.8bn from 45,855 cases under the tax dispute resolution scheme 'Vivad se Vishwas'. The revenue expected by the tax department from these cases was Rs 1.32tn. The scheme was launched to liquidate nearly Rs 9.5tn stuck in direct tax disputes for nearly 0.5mn cases.
- US housing starts rose to 1.53mn in Oct'20 (1.46mn in Sep'20), noting a 4.9% MoM growth. Better than estimated (1.46mn) print was supported by lower mortgage rates (~2.84%) and higher demand for larger houses in the current work from home scenario. Single family home starts (77% of home building) rose by the highest pace since Apr'07 to 6.4% in Oct'20.
- CPI inflation in the UK rose by 0.7% in Oct'20 on a YoY basis, versus an increase of 0.5% in Sep'20 and expectation of 0.6% rise. This was led by clothing and food prices. However, prices of energy and travel declined in Oct'20. Core inflation (excluding energy and food) also rose to 1.5% from 1.3% in Sep'20. Despite the increase, inflation in UK remains well below BoE's target of 2%.

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Markets

- Bonds:** Except Japan and India, global yields closed higher over improved risk appetite surrounding news of a potential vaccine. US 10Y yield rose by 1bps (0.87%) supported by better housing data. Crude prices rose by 1.3% (US\$ 44/bbl) amidst improved demand outlook. India's 10Y yield closed flat at 5.88% and is trading at the same level today.
- Currency:** Barring EUR and CNY, other global currencies closed higher against the dollar. GBP, JPY and INR rose the most by 0.4% while DXY was down by 0.1%. Optimism around vaccine development outweighed the rise in global Covid-19 cases and supported investor sentiments. Gains in INR were led by foreign fund inflows. However, it is trading lower today in line with other Asian currencies.
- Equity:** Global indices closed mixed. DAX rose the most (0.5%) followed by FTSE (0.3%) over optimism surrounding effective vaccine. Dow and Nikkei on the other hand fell by 1.2% and 1.1% respectively owing to surging Covid-19 cases and new restrictions. Sensex rose by 0.5% led by banking 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	0.87	1	(11)	12	19	(87)
UK	0.34	1	(8)	16	10	(39)
Japan	0.02	(1)	(2)	(1)	(1)	12
Germany	(0.55)	1	(5)	7	(8)	(21)
India	5.88	0	(3)	(6)	(9)	(59)
China	3.33	5	8	12	34	16
2Y yields (Δ bps)						
US	0.17	0	(1)	3	3	(140)
UK	(0.03)	1	(3)	3	0	(60)
Japan	(0.13)	0	(1)	0	(2)	7
Germany	(0.73)	(1)	(1)	5	(6)	(9)
India	4.06	(1)	(8)	(19)	(19)	(139)
China	2.90	5	12	18	47	25
Currencies (Δ %)						
EUR	1.1853	(0.1)	0.6	1.2	0.1	7.0
GBP	1.3273	0.2	0.4	2.8	1.3	2.7
JPY	103.82	0.4	1.5	1.5	2.2	4.4
AUD	0.7305	0.1	0.3	3.2	1.7	7.4
INR	74.19	0.4	0.2	(1.2)	0.8	(3.3)
CNY	6.5605	(0.1)	1.1	2.0	5.2	6.8
Equity & Other indices (Δ %)						
Dow	29,438	(1.2)	0.1	2.9	6.3	5.8
FTSE	6,385	0.3	0	7.9	4.5	(12.1)
DAX	13,202	0.5	(0.1)	2.3	1.7	0.3
NIKKEI	25,728	(1.1)	1.5	9.9	11.3	11.1
Shanghai Comp	3,347	0.2	0.2	0.3	(1.8)	15.0
SENSEX	44,180	0.5	1.3	10.5	14.4	8.7
Brent (US\$/bbl)	44.34	1.3	1.2	3.3	(2.3)	(28.9)
Gold (US\$/oz)	1,872	(0.4)	0.3	(1.4)	(2.9)	27.2
CRB Index	423.1	0.4	1.5	2.8	9.4	9.0
Rogers Agri Index	827.1	0.5	1.4	5.8	15.1	14.2
LIBOR (3M)*	0.23	1	1	1	(2)	(167)
INR 5Y Swap*	5.08	(4)	(4)	(21)	(32)	(140)
India FII data (US\$ mn)						
	17 Nov	13 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	16.0	(0.6)	16.0	163.6	(14,066.1)	(4,306.6)
FII-Equity	754.1	231.8	754.1	5,142.2	11,688.7	18,291.7

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

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