

MACRO DAILY

01 January 2021

Macro developments

- India's eight core index contracted by 2.6% in Nov'20 (3-month low) from 0.9% in Oct'20. This was led by sharp deceleration in electricity (2.2% in Nov'20 from 11.2% in Oct'20) and Coal (2.9% in Nov'20 from 11.7% in Oct'20). Steel output contracted by 4.4% (increase of 4% in Oct'20) and cement output too declined by 7.1% (increase of 3.2%) in Nov'20. On FYTD basis, overall index declined by 11.4% (0.3% increase last year).
- India's fiscal deficit in Nov'20 inched up to 6.2% (of GDP) on 12MMA basis from 6% in Oct'20. On FYTD basis, centre's net revenue contracted less sharply in Nov'20 (17.3% versus 22.3% in Oct'20), led by pickup in both direct and indirect tax collections. Overall spending rose significantly with 4.7% rise versus 0.4% in Oct'20. This was led by capex (12.8% versus 1.9% drop in Oct'20) and revenue spending (3.7% versus 0.7%).
- US jobless claims fell for the second straight week by 19,000 in the week ended 26 Dec 2020 to 787,000 (est., 835,000). Despite the recent dip, jobless claims continue to remain elevated above the pre-pandemic level. Analysts expect labour market to remain on a weak footing amidst a resurgence in Covid-19 cases.

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Markets

- Bonds:** Global yields closed mixed amidst EU and China agreeing to an investment deal. US 10Y yield fell by 1bps (0.91%) as US officials said they are raising tariff on few products from EU. Crude prices rose by 0.9% (US\$ 52/bbl) due to drawdown in US inventory and vaccine rollout. India's 10Y yield closed flat at 5.9%. It is trading at 5.89% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.3% reversing some of its previous losses. GBP rose by 0.3% as Brexit risks subsided. EUR depreciated the most by 0.7%. INR (0.3%) rose to its highest since Sep'20. It is trading lower today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed in the truncated trading week. Amongst other indices, Shanghai Comp gained the most (1.7%) followed by Dow (0.6%). Sensex ended flat, as gains in real estate and consumer durable stocks were offset by dip in banking stocks. However, it is trading higher today. Major Asian equity markets are closed today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.91	(1)	(1)	7	24	(96)
UK	0.20	(2)	(6)	(11)	(4)	(60)
Japan	0.02	0	0	(1)	0	3
Germany	(0.57)	0	(2)	0	(3)	(35)
India	5.90	0	(6)	(1)	(10)	(60)
China	3.15	(1)	(8)	(13)	0	0
2Y yields (Δ bps)						
US	0.12	0	0	(3)	(1)	(145)
UK	(0.16)	(1)	(4)	(14)	(12)	(73)
Japan	(0.12)	0	0	0	0	2
Germany	(0.70)	0	1	4	1	(10)
India	3.87	(2)	(2)	(5)	(50)	(191)
China	2.48	(3)	(17)	(38)	(12)	20
Currencies (Δ %)						
EUR	1.2216	(0.7)	0.2	2.4	4.0	9.3
GBP	1.3670	0.3	0.8	2.6	6.0	4.0
JPY	103.25	(0.1)	0.4	1.0	2.2	4.9
AUD	0.7694	0.1	1.3	4.8	7.1	10.0
INR	73.0	0.3	0.7	1.3	0.1	(2.4)
CNY	6.5272	(0.1)	0	0.8	3.9	6.3
Equity & Other indices (Δ %)						
Dow	30,606	0.6	1.3	2.3	10.0	7.2
FTSE	6,461	(1.5)	(0.6)	1.5	9.9	(14.3)
DAX	13,719	(0.3)	1.0	2.9	7.8	3.5
NIKKEI	27,444	(0.4)	3.5	3.0	18.4	16.0
Shanghai Comp	3,473	1.7	3.3	1.9	7.9	13.9
SENSEX	47,751	0	1.7	8.2	23.4	15.6
Brent (US\$/bbl)	51.80	0.9	1.0	7.5	26.6	(21.5)
Gold (US\$/oz)	1,898	0.2	0.8	6.2	(0.4)	25.1
CRB Index	443.8	0.1	0.7	3.5	9.8	10.5
Rogers Agri Index	885.9	0.6	2.6	6.0	17.3	16.8
LIBOR (3M)*	0.24	(2)	(1)	1	0	(167)
INR 5Y Swap*	5.33	1	7	15	(9)	(132)
India FII data (US\$ mn)						
	30 Dec	29 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(21.9)	(2.4)	(9.6)	635.4	(13,983.8)	(4,224.3)
FII-Equity	240.5	328.7	800.4	7,182.7	23,288.4	29,891.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Nikkei and FTSE were closed on 31.12.20

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