

MACRO DAILY

01 October 2020

Macro developments

- India's eight core output contracted for the 6th straight month to 8.5% in Aug'20 from 8% in Jul'20. This was led by steep contraction in output of petroleum refinery (19.1% from 13.9% in Jul'20) and crude oil (6.3% from 4.9% in Jul'20). On FYTD basis, overall output has declined by 17.8% compared with an increase of 2.5% last year.
- India's fiscal deficit inched up to 6.5% of GDP in Aug'20 (12MMA basis) from 6.3% in Jul'20. On FYTD basis, direct tax collections remain under stress with 34.1% decline in Aug'20 versus 33.2% drop in Jul'20. However, indirect tax collections are contracting at a slower pace of 16.3% now. Centre's net revenue fell by 38.6% in Aug'20 from 30.6% drop in Jul'20. As a result overall spending has eased to 6.2% from 11.3% in Jul'20.
- South Korea's exports rose by 7.7% in Sep'20 versus a decline of 10.1% in Aug'20, rising for the first time in 7-months. More working days as well as lifting of restrictions in major trading partners contributed to the increase. Exports of chips, cars and computers rose the most. Exports to US and China rose by 23.2% and 8.2% respectively.

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Markets

- Bonds:** Except India and Japan, global yields closed higher. US10Y yield rose by 3bps (0.68%) supported by positive macro prints (ADP private sector jobs data, pending home sales). Crude prices fell by 0.2% (US\$ 41/bbl). India's 10Y yield closed 3bps lower at 6.01%. It is trading further lower at 5.96% today as borrowing calendar was left unchanged.
- Currency:** Except EUR, other global currencies closed higher against the dollar. DXY closed flat amidst improving macro prints and hopes of further stimulus. GBP rose by 0.4% anticipating positive outcome of Brexit negotiations. INR rose by 0.1% as India's current account surplus expanded. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring Dow and Sensex, other global indices ended lower led by concerns over stalling economic recovery and rising COVID-19 cases. Nikkei (1.5%) declined the most. Both FTSE and Dax ended lower by 0.5% each. However, Sensex inched up 0.2% driven by consumer durable 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	0.68	3	1	(4)	1	(92)
UK	0.23	5	1	(8)	2	(27)
Japan	0.02	0	1	(4)	(3)	18
Germany	(0.52)	2	(2)	(11)	(13)	2
India	6.01	(3)	2	(13)	17	(69)
China	3.15	1	6	7	30	1
2Y yields (Δ bps)						
US	0.13	0	(1)	0	(3)	(135)
UK	(0.02)	3	3	3	5	(41)
Japan	(0.13)	0	2	(2)	0	18
Germany	(0.70)	1	0	(4)	(4)	6
India	4.43	0	(1)	(6)	23	(135)
China	2.60	(1)	1	8	51	5
Currencies (Δ %)						
EUR	1.1721	(0.2)	0.5	(1.5)	4.2	7.0
GBP	1.2920	0.4	1.5	(3.2)	3.6	5.0
JPY	105.48	0.2	(0.1)	(0.1)	1.9	1.6
AUD	0.7162	0.4	1.3	(2.8)	3.6	6.8
INR	73.76	0.1	(0.3)	(0.5)	2.4	(4.1)
CNY	6.7908	0.4	0.3	1.1	4.0	5.0
Equity & Other indices (Δ %)						
Dow	27,782	1.2	3.8	(3.0)	8.0	6.5
FTSE	5,866	(0.5)	(0.6)	(1.6)	(4.7)	(17.6)
DAX	12,761	(0.5)	0.9	(2.1)	4.1	7.0
NIKKEI	23,185	(1.5)	(0.7)	1.3	4.8	6.5
Shanghai Comp	3,218	(0.2)	(1.9)	(5.5)	6.3	10.8
SENSEX	38,068	0.2	1.1	(3.5)	7.5	(1.6)
Brent (US\$/bbl)	40.95	(0.2)	(2.0)	(9.1)	(2.6)	(29.0)
Gold (US\$/oz)	1,886	(0.6)	1.2	(4.0)	6.5	25.8
CRB Index	406.0	0.5	0.5	3.3	11.9	4.5
Rogers Agri Index	756.4	2.1	1.4	2.5	10.5	6.4
LIBOR (3M)*	0.23	0	0	(2)	(7)	(183)
INR 5Y Swap*	5.44	0	(5)	(28)	13	(93)
India FII data (US\$ mn)						
	29 Sep	28 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(14.7)	40.9	26.2	569.4	(14,520.6)	(4,761.1)
FII-Equity	(144.3)	71.3	(73.1)	(731.3)	4,076.0	10,679.0

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

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