

MACRO DAILY

20 November 2020

Macro developments

- Domestic trade activity in India continues to rise steadily as visible in rail freight movement which rose by 13.6% during 1-10 Nov 2020. However, this was slightly lower than growth seen in the same period last month (21.1%). On FYTD basis, activity is down by 4.8% so far. In order to sustain high growth in the long run, government has recently also announced infrastructure upgradation plans to take railway's loading capacity to 2024mt by CY24 from current level of 1200-1300mt.
- US existing home sales rose for the 5th straight month by 4.3% to 6.9mn units in Oct'20 against 6.6mn units in Sep'20. This was due to record low mortgage rates (30-year fixed rate at ~2.8%). However, owing to supply crunch, median existing house price rose to a record high of US\$ 0.3mn in Oct'20. In a separate print, US jobless claims rose by 31,000 to 742,000 for the week ending 14 Nov 2020 against its previous week's level.
- Bank of Indonesia has cut policy rate by 25bps, for the first time in 4-months, to its record low of 3.75%. In CYTD20, it has cut policy rate by 125bps. This decision was on the back of inflation remaining at 1.4%, well below the target of 2-4%, and to support growth. However, additional rate cuts are contingent on its currency's stability.

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Markets

- Bonds:** Global yields closed mixed amidst uncertainty over US \$2tn stimulus plan in Europe, potential vaccine and surging cases. US 10Y yield fell by 4bps (0.87%) due to weaker jobs data. Crude prices fell by 0.3% (US\$ 44/bbl). India's 10Y yield closed flat at 5.88% and is trading at the same level today, despite RBI's special OMO announcement (Rs 100bn).
- Currency:** Barring EUR and JPY, other global currencies closed lower. CNY and AUD depreciated the most by 0.4% and 0.2% respectively. Continued rise in global Covid-19 cases and stringent lockdowns imposed in Europe kept investors wary. INR too fell by 0.1%. It is trading higher today in line with other Asian currencies.
- Equity:** Except Dow and Shanghai Comp, global indices closed lower due to rising Covid-19 cases. Dow was supported by news of renewed fiscal stimulus talks in the US. Sensex fell by 1.3% led by banking and realty. It is trading higher today, while other Asian markets are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.83	(4)	(5)	6	18	(94)
UK	0.32	(1)	(3)	15	10	(43)
Japan	0.02	0	(1)	(1)	(2)	12
Germany	(0.57)	(2)	(3)	6	(8)	(25)
India	5.88	0	(3)	(6)	(7)	(63)
China	3.36	3	10	16	36	19
2Y yields (Δ bps)						
US	0.16	(1)	(2)	2	2	(144)
UK	(0.03)	0	1	4	1	(61)
Japan	(0.13)	1	0	0	(3)	6
Germany	(0.74)	(1)	(1)	5	(6)	(11)
India	4.02	(5)	(12)	(23)	(22)	(142)
China	2.92	2	12	20	49	28
Currencies (Δ %)						
EUR	1.1875	0.2	0.6	0.9	0.1	7.4
GBP	1.3261	(0.1)	1.1	2.4	0.4	2.7
JPY	103.74	0.1	1.3	1.6	1.9	4.5
AUD	0.7288	(0.2)	0.8	3.0	1.3	7.4
INR	74.27	(0.1)	0.5	(1.2)	1.0	(3.5)
CNY	6.5840	(0.4)	0.4	1.5	4.8	6.3
Equity & Other indices (Δ %)						
Dow	29,483	0.2	1.4	4.6	6.3	6.2
FTSE	6,334	(0.8)	(0.1)	7.6	5.3	(12.5)
DAX	13,086	(0.9)	0.3	1.8	2.0	(0.4)
NIKKEI	25,634	(0.4)	0.4	8.3	12.0	11.3
Shanghai Comp	3,363	0.5	0.7	1.5	0	15.8
SENSEX	43,600	(1.3)	0.6	7.8	14.1	7.5
Brent (US\$/bbl)	44.20	(0.3)	1.5	3.7	(1.6)	(30.9)
Gold (US\$/oz)	1,867	(0.3)	(0.5)	(2.0)	(4.1)	27.5
CRB Index	423.5	0.1	2.1	2.4	9.6	9.3
Rogers Agri Index	823.4	(0.5)	1.4	4.4	14.5	13.9
LIBOR (3M)*	0.22	(1)	0	2	(3)	(169)
INR 5Y Swap*	5.09	1	(5)	(16)	(28)	(132)
India FII data (US\$ mn)						
	18 Nov	17 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(14.1)	16.0	1.9	149.5	(14,080.2)	(4,320.7)
FII-Equity	726.7	754.1	1,480.8	5,868.9	12,415.4	19,018.3

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

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