

MACRO DAILY

20 October 2020

Macro developments

- As part of Atma Nirbhar Bharat package, Gol has proposed to cover 25mn farmers under the Kisan Credit Card scheme with a credit boost of Rs 2tn through the saturation drive. So far, 15mn farmers under this scheme have been covered, with a sanctioned credit limit of Rs 1.35tn. This scheme ensures cost-efficient credit delivery and accelerating agriculture production, apart from raising farm incomes.
- China's new home prices rose by 4.6% (YoY) in Sep'20 versus 4.8% rise in Aug'20, while home sales growth eased to 7.3% from 13.7% in Aug'20. New constructions fell by 1.9% in Sep'20 following a 2.4% increase in Aug'20. This can be explained by new rules put in place to control the level of liquidity in the real estate market and local government restrictions on home purchases.
- Japan's exports declined for the 22nd straight month and fell by 4.9% in Sep'20. However, it was lower than a contraction of 14.8% in Aug'20. The improvement was led by exports to China (up 14%, highest since Jan'18) and US (up by 0.7%). Imports contracted by 17.2% versus a dip of 20.8% in Aug'20 as domestic demand continues to remain weak.

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Markets

- Bonds:** Global yields closed mixed with US 10Y yield rising by 2bps to 0.77% as macro prints indicate recovery is underway. Crude prices fell by 0.7% (US\$ 42.6/bbl) led by continued rise in COVID-19 cases in Europe. India's 10Y yield ended flat at 5.94% with demand support from insurance companies, PFs and RBI and is trading at the same level today.
- Currency:** Global currencies ended mixed. DXY fell by 0.3% on hopes that US fiscal stimulus may be forthcoming before elections. CNY rose by 0.2% to its highest since Jul'18 as China's growth bounced back in Q3CY20. GBP gained by 0.3% as EU and UK made progress in trade talks. INR was flat. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Sensex, other global indices ended lower as concerns rose over second wave of COVID-19. Amongst other indices, Dow (1.4%) declined the most followed by Shanghai Comp (0.7%) and FTSE (0.6%). However, Sensex (1.1%) ended in green led by rally in banking and oil & gas stocks. It is trading higher today; while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.77	2	0	8	16	(103)
UK	0.17	(1)	(10)	(1)	2	(58)
Japan	0.03	0	(1)	1	(1)	15
Germany	(0.63)	(1)	(8)	(14)	(17)	(28)
India	5.94	0	4	(8)	14	(58)
China	3.20	(2)	2	8	26	(2)
2Y yields (Δ bps)						
US	0.15	0	(1)	1	(0)	(148)
UK	(0.07)	(2)	(5)	4	2	(62)
Japan	(0.13)	0	(1)	1	(1)	10
Germany	(0.79)	(1)	(6)	(9)	(12)	(12)
India	4.25	0	(2)	(19)	7	(133)
China	2.72	8	10	11	66	16
Currencies (Δ %)						
EUR	1.1769	0.4	(0.4)	(0.6)	2.8	5.6
GBP	1.2948	0.3	(0.9)	0.2	2.3	(0.1)
JPY	105.43	0	(0.1)	(0.8)	1.7	2.9
AUD	0.7074	(0.1)	(1.9)	(2.9)	0.8	3.0
INR	73.37	0	(0.1)	0.1	2.1	(3.1)
CNY	6.6830	0.2	0.9	1.3	4.3	5.6
Equity & Other indices (Δ %)						
Dow	28,195	(1.4)	(2.2)	1.9	5.7	5.1
FTSE	5,885	(0.6)	(1.9)	(2.0)	(6.0)	(17.9)
DAX	12,855	(0.4)	(2.2)	(2.0)	(1.5)	0.8
NIKKEI	23,671	1.1	0.5	1.3	4.2	5.0
Shanghai Comp	3,313	(0.7)	(1.4)	(0.8)	0	12.7
SENSEX	40,432	1.1	(0.4)	4.1	8.1	2.9
Brent (US\$/bbl)	42.62	(0.7)	2.2	(1.2)	(1.5)	(27.7)
Gold (US\$/oz)	1,904	0.3	(1.0)	(2.4)	4.7	28.3
CRB Index	413.5	0.5	0.9	0.8	12.7	5.4
Rogers Agri Index	788.6	0.8	3.1	3.5	14.2	8.5
LIBOR (3M)*	0.22	0	(1)	(1)	(4)	(172)
INR 5Y Swap*	5.25	(4)	(6)	(34)	(3)	(122)
India FII data (US\$ mn)						
	16 Oct	15 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	163.8	36.0	304.4	241.2	(14,438.6)	(4,679.1)
FII-Equity	(1.2)	(40.0)	612.5	1,192.3	5,232.4	11,835.4

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

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