

MACRO DAILY

21 December 2020

Macro developments

- Centre has allowed 5 states to borrow additional Rs 167bn from the market as they have implemented the Ease of Doing Business reforms. These states are T.N., Karnataka, A.P, Telangana and M.P. Of these, T.N (Rs 48bn) and Karnataka (Rs 45bn) have been the biggest beneficiaries. With this, 17 states have been allowed additional market borrowing (0.25% of their GSDP) with 10 states implementing ONOR scheme, 5 undertaking Ease of Doing Business reforms and 2 completing local body reforms.
- RBI's statistics showed that credit demand eased to 5.7% for the fortnight ending 4 Dec 2020 as against 5.8% in the previous fortnight. Deposit growth however rose by 11.3% from 10.9% led by both demand (16% from 13.5%) and time deposits (10.8% from 10.6%). CD ratio was at 72 from 72.6 in the previous fortnight.
- Germany's Ifo business climate index rose to 92.1 in Dec'20 from 90.9 in Nov'20. The better than expected print (est. 89.8) was led by manufacturing, as industrial demand and export prospects improved. Companies' assessment of current situation improved and scepticism over the next 6-months also ebbed.

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Markets

- Bonds:** Global yields closed mixed. UK 10Y yield fell by 4bps (0.25%) amidst uncertainty over Brexit. US 10Y yield rose by 1bps (0.95%). Congress passed the anticipated US\$ 900bn fiscal stimulus. Crude prices rose by 1.5% (US\$ 52/bbl) amidst optimism over vaccine rollout. India's 10Y yield rose by 1bps (5.96%). It is trading flat today.
- Currency:** Except INR and AUD which closed stable, other global currencies ended lower. DXY recovered from a two-and-a-half-year low and rose by 0.2%. GBP depreciated by 0.5% on concerns over Brexit trade deal. INR is trading lower today in line with other Asian currencies.
- Equity:** Barring Sensex, other global indices ended lower as uncertainty over Brexit deal resurfaced. Amongst other indices, Dow (0.4%) fell the most, followed by FTSE, Dax and Shanghai Comp all dropping by 0.3%. However, Sensex (0.2%) ended in green driven by advancement in tech 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	0.95	1	5	9	25	(97)
UK	0.25	(4)	8	(8)	7	(53)
Japan	0.01	0	0	(2)	(1)	0
Germany	(0.57)	0	7	(1)	(9)	(32)
India	5.96	1	0	8	(5)	(64)
China	3.30	1	(1)	2	18	10
2Y yields (Δ bps)						
US	0.12	0	1	(5)	(2)	(151)
UK	(0.08)	(3)	3	(5)	3	(63)
Japan	(0.12)	0	1	1	1	(3)
Germany	(0.73)	0	6	0	(3)	(9)
India	3.88	0	(4)	(19)	(56)	(200)
China	2.73	0	(10)	(12)	12	14
Currencies (Δ %)						
EUR	1.2257	(0.1)	1.2	3.3	3.5	10.6
GBP	1.3523	(0.5)	2.3	2.1	4.7	4.0
JPY	103.30	(0.2)	0.7	0.9	1.2	5.6
AUD	0.7622	0	1.2	4.4	4.6	10.5
INR	73.57	0	0.1	1.2	(0.2)	(3.4)
CNY	6.5400	(0.1)	0.1	0.3	3.4	6.7
Equity & Other indices (Δ %)						
Dow	30,179	(0.4)	0.4	1.3	9.1	6.1
FTSE	6,529	(0.3)	(0.3)	2.6	8.7	(13.9)
DAX	13,631	(0.3)	3.9	3.8	3.9	2.3
NIKKEI	26,763	(0.2)	0.4	2.9	14.6	12.4
Shanghai Comp	3,395	(0.3)	1.4	1.6	1.7	13.0
SENSEX	46,961	0.2	1.9	6.8	20.9	12.7
Brent (US\$/bbl)	52.26	1.5	4.6	19.5	21.1	(21.0)
Gold (US\$/oz)	1,881	(0.2)	2.3	0.1	(3.6)	27.3
CRB Index	437.6	0.2	0.4	3.9	6.7	9.9
Rogers Agri Index	849.5	0.4	2.2	3.2	11.4	13.7
LIBOR (3M)*	0.24	0	2	1	1	(170)
INR 5Y Swap*	5.33	4	10	21	(26)	(130)
India FII data (US\$ mn)						
	17 Dec	16 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	45.5	(48.7)	137.0	808.8	(13,810.4)	(4,050.9)
FII-Equity	358.6	274.3	1,419.5	5,394.3	21,500.0	28,103.0

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

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