

MACRO DAILY

21 September 2020

Macro developments

- India's forex reserves fell by US\$ 353mn in the week ended 11 Sep 2020 to US\$ 541.7bn. Last week, forex reserves had increased by US\$ 0.6bn to a historic high of US\$ 542bn. In FYTD21, forex reserves have increased by US\$ 66bn, higher compared with an accretion of US\$ 17bn in the same period last year.
- As per news reports, 21 states have opted to borrow Rs 970bn from the RBI in order to meet the gap of the GST compensation cess. These states will also be allowed to borrow additional 0.5% of their GSDP from the market. Payment of ~ Rs 1.5tn as GST compensation is pending to states for Apr-Jul'20 period. Those states which do not chose from the two borrowing options will have to wait till Jun'22 for their dues to be cleared.
- The University of Michigan US consumer sentiment index rose to 78.9 in Sep'20 (est.: 75) from 74.1 in Aug'20. This is the highest level since Mar'20, but it still remains below the pre-pandemic level of 100.9 in Feb'20. The gains in Sep'20 were driven by improved sentiment towards future economic prospects. However, uncertainty around election outcome, and delay in rolling out of the vaccine remained key concerns.

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Markets

- Bonds:** Global yields closed mixed as WHO warned of a "very serious situation" amidst rising cases in Europe. US 10Y yield rose by 1bps (0.69%) supported by better consumer confidence data. Crude prices fell by 0.3% (US\$ 43/bbl). India's 10Y yield fell by 2bps (6.02%) supported by RBI's OMO purchase decision. It is trading at 6.01% today.
- Currency:** Except JPY and INR, other global currencies closed lower against the dollar as resurgence of COVID-19 cases in Europe and UK raised concerns. DXY closed flat. EUR fell by 0.1%. GBP depreciated by 0.4% as BoE hinted at negative interest rates. INR rose by 0.3%. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring Nikkei and Shanghai Comp, other global indices closed lower as investors continued to monitor the surge in COVID-19 cases. Dow declined by 0.9% led by weakness in tech stocks. This was followed by both Dax and FTSE falling by 0.7% each. Sensex too dropped by 0.3% led by banking stocks and is trading in a narrow range today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.69	1	3	3	0	(103)
UK	0.18	0	0	(4)	(6)	(45)
Japan	0.02	0	(1)	(2)	0	22
Germany	(0.49)	1	0	(2)	(7)	4
India	6.02	(2)	(3)	6	16	(77)
China	3.12	(2)	(2)	14	24	2
2Y yields (Δ bps)						
US	0.14	0	1	0	(5)	(154)
UK	(0.11)	(1)	1	(7)	(7)	(64)
Japan	(0.14)	0	(1)	(3)	0	16
Germany	(0.70)	0	0	(4)	(3)	2
India	4.44	0	(4)	17	9	(136)
China	2.61	0	1	35	44	7
Currencies (Δ %)						
EUR	1.1840	(0.1)	(0.1)	(0.8)	5.9	7.5
GBP	1.2917	(0.4)	0.9	(2.4)	4.6	3.5
JPY	104.57	0.2	1.5	0.8	2.2	2.8
AUD	0.7289	(0.3)	0.1	0.6	6.6	7.7
INR	73.45	0.3	0.1	1.8	3.6	(3.5)
CNY	6.7691	(0.1)	1.0	2.2	4.3	4.5
Equity & Other indices (Δ %)						
Dow	27,657	(0.9)	0	(0.4)	6.9	2.7
FTSE	6,007	(0.7)	(0.4)	(1.1)	(4.5)	(18.2)
DAX	13,116	(0.7)	(0.7)	1.8	6.4	5.2
NIKKEI	23,360	0.2	(0.2)	1.3	3.9	5.8
Shanghai Comp	3,338	2.1	2.4	(3.3)	12.5	11.0
SENSEX	38,846	(0.3)	0	0.8	11.8	2.2
Brent (US\$/bbl)	43.15	(0.3)	8.3	(5.1)	2.3	(32.9)
Gold (US\$/oz)	1,951	0.3	0.5	(2.6)	11.9	28.6
CRB Index	408.3	0.4	1.8	6.3	12.4	5.9
Rogers Agri Index	762.3	0.9	2.8	6.6	13.1	9.1
LIBOR (3M)*	0.23	(1)	(2)	(3)	(8)	(191)
INR 5Y Swap*	5.59	5	1	23	43	(76)
India FII data (US\$ mn)						
	17 Sep	16 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(36.3)	28.9	143.2	310.9	(14,779.1)	(5,019.6)
FII-Equity	(17.8)	67.2	383.8	563.0	5,370.4	11,973.3

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

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