

MACRO DAILY

22 October 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 47bn and stood at Rs 27tn for the week ending 16 Oct 2020. Reserve money rose by 12.9% on a YoY basis, compared with 12.8% a year ago. On FYTD basis, reserve money increased by 6.6% as against 3.3% a year ago.
- UNCTAD estimates global trade to decline by 7%-9% in CY20, upwardly revised from an initial estimate of 20% decline projected in Jun'20. This is led by a rebound in trade growth in Q3CY20 to a 5% dip compared with a 19% drop in Q2CY20. The improvement in Q3 was led by China with export growth of 10%. Trade is expected to contract by 3% in Q4. However, a resurgence in COVID-19 remains a key downside risk.
- S.Korea's exports fell by 5.8% (YoY) in 1-20 Oct 2020 versus 34% increase in the same period last month. Exports to China and US fell the most, by 4.6% and 2.3% respectively. However, average daily shipments continued to rise by 5.9% in 1-20 Oct 2020. This was supported by 12% jump in semiconductors and 11% rise in computer devices. Shipments of cars and oil products fell.

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Markets

- **Bonds:** Barring India and China, global yields closed higher. UK 10Y yield rose by the most (6bps), followed by US (4bps). Progress in fiscal stimulus talks in the US and Brexit trade talks boosted investor sentiments. Crude prices fell by 3.3% (US\$ 41.7/bbl) on weaker demand and rising US stockpiles. India's 10Y yield eased by 2bps to 5.91% as investors await RBI's OMO auction results today. It is trading even lower at 5.90% today.
- **Currency:** Except INR, global currencies ended higher against the dollar. DXY fell by 0.5% to a more than 1-month low as investors await results of US fiscal stimulus negotiations. GBP jumped 1.6% on reports that Brexit trade talk will resume again this week. INR depreciated by 0.2%. It is trading lower today while other Asian currencies are trading mixed.
- **Equity:** Barring Nikkei and Sensex, other global indices ended lower as investors continue to monitor US stimulus negotiations. Amongst other indices, FTSE (1.9%) dropped the most followed by Dax (1.4%). Sensex (0.4%) however, ended in green led by gains in real estate and metal stocks. However, 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	0.82	4	10	13	23	(94)
UK	0.24	6	2	6	12	(44)
Japan	0.04	1	0	2	2	17
Germany	(0.59)	2	(1)	(10)	(10)	(19)
India	5.91	(2)	1	(10)	10	(60)
China	3.18	(2)	(4)	6	29	(3)
2Y yields (Δ bps)						
US	0.15	0	1	1	0	(143)
UK	(0.05)	2	0	7	6	(58)
Japan	(0.13)	1	0	1	0	12
Germany	(0.77)	1	(3)	(8)	(9)	(12)
India	4.19	(5)	(8)	(25)	0	(135)
China	2.65	(2)	1	4	59	5
Currencies (Δ %)						
EUR	1.1861	0.3	1.0	0.2	2.5	6.6
GBP	1.3149	1.6	1.1	1.8	3.3	1.8
JPY	104.59	0.9	0.6	0	2.4	3.8
AUD	0.7117	1.0	(0.6)	(2.4)	(0.3)	3.9
INR	73.59	(0.2)	(0.4)	(0.2)	1.6	(3.8)
CNY	6.6510	0.4	1.0	1.7	5.0	5.9
Equity & Other indices (Δ %)						
Dow	28,211	(0.3)	(1.1)	2.0	4.5	5.1
FTSE	5,777	(1.9)	(2.7)	(3.8)	(6.9)	(20.4)
DAX	12,558	(1.4)	(3.6)	(4.3)	(4.2)	(1.9)
NIKKEI	23,639	0.3	0.1	1.2	3.9	4.5
Shanghai Comp	3,325	(0.1)	(0.5)	(0.4)	(0.2)	13.0
SENSEX	40,707	0.4	(0.2)	4.8	7.5	4.2
Brent (US\$/bbl)	41.73	(3.3)	(3.7)	(3.3)	(5.8)	(31.8)
Gold (US\$/oz)	1,924	0.9	1.2	(1.4)	2.8	29.0
CRB Index	415.8	0.3	1.2	1.4	12.5	6.1
Rogers Agri Index	792.5	0.3	2.4	4.0	13.9	8.8
LIBOR (3M)*	0.22	1	(1)	(1)	(5)	(172)
INR 5Y Swap*	5.23	0	(6)	(36)	(4)	(140)
India FII data (US\$ mn)						
	20 Oct	19 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	77.7	(2.8)	74.8	316.0	(14,363.8)	(4,604.3)
FII-Equity	249.7	271.1	520.8	1,713.2	5,753.2	12,356.2

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

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