

MACRO DAILY

23 October 2020

Macro developments

- According to CMIE data, rural unemployment rose to 7.93% in the week ending 4 Oct 2020, compared with only 4.73% in the previous week. This could be attributed to job losses as the harvesting season ends. On the other hand urban unemployment eased to 8.17% from 8.25% in previous week, taking the all India unemployment rate to 8.01% from 5.84%.
- Germany's consumer confidence is expected to deteriorate in Nov'20 amidst rising COVID-19 cases and fears of fresh restrictions. GfK's consumer sentiment index for Nov'20 fell to (-) 3.1 from (-) 1.7 in Oct'20. COVID-19 cases in Germany have increased at a faster pace of average 5,044 per day in Oct'20 so far, compared with 1,617 cases per day in Sep'20 fuelling fears of a second wave of infections.
- Initial jobless claims in the US declined lower than estimated by 0.78mn for the week ending 17 Oct 2020 compared with 0.84mn in the previous week. Thereby signalling that job losses have gradually eased. Although resurgence in COVID-19 cases, imposition of new restrictions and delay in passing of the US stimulus, remain concerns for progress of labour market.

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Markets

- **Bonds:** Global yields closed mixed with UK and US 10Y yield rising by 4bps and 3bps respectively as investors continue to monitor developments around US fiscal stimulus. Crude prices rose by 1.7% (US\$ 41.7/bbl) as Russia hinted at extended supply cuts. India's 10Y yield closed unchanged at 5.91% and is trading at 5.89% today, ahead of the Rs 310bn auction.
- **Currency:** Except AUD and INR, other currencies closed lower against the dollar. DXY rose by 0.4% on safe-haven demand as hopes of US fiscal stimulus faded. EUR depreciated by 0.4% as COVID-19 cases in the region continued to increase. INR rose by 0.1%. It is however trading lower today in line with other Asian currencies.
- **Equity:** Barring Dow and FTSE, other global indices ended lower amidst uncertainty over US fiscal stimulus and resurgence in COVID-19 cases globally. Nikkei (0.7%) dropped the most followed by Shanghai Comp (0.4%). Sensex (0.4%) too ended in red and was dragged down by banking and tech stocks. However, it is trading higher today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.86	3	12	19	28	(91)
UK	0.28	4	10	13	16	(34)
Japan	0.04	0	1	2	2	17
Germany	(0.57)	2	4	(4)	(9)	(16)
India	5.91	0	2	(10)	11	(59)
China	3.17	(1)	(6)	7	26	(5)
2Y yields (Δ bps)						
US	0.15	1	1	2	0	(142)
UK	(0.03)	2	3	9	7	(50)
Japan	(0.13)	0	0	1	0	11
Germany	(0.77)	1	0	(4)	(9)	(10)
India	4.19	0	(6)	(25)	1	(139)
China	2.63	(2)	(1)	2	57	1
Currencies (Δ %)						
EUR	1.1818	(0.4)	0.9	0.4	1.9	6.4
GBP	1.3083	(0.5)	1.3	2.1	2.7	1.8
JPY	104.86	(0.3)	0.6	(0.2)	1.9	3.5
AUD	0.7118	0	0.3	(1.5)	0.3	4.4
INR	73.54	0.1	(0.2)	(0.2)	1.6	(3.5)
CNY	6.6851	(0.5)	0.6	1.8	4.6	5.4
Equity & Other indices (Δ %)						
Dow	28,364	0.5	(0.5)	4.5	6.4	5.8
FTSE	5,786	0.2	(0.8)	(0.3)	(6.9)	(21.1)
DAX	12,543	(0.1)	(1.3)	0	(4.3)	(2.6)
NIKKEI	23,474	(0.7)	(0.1)	0.5	3.2	3.2
Shanghai Comp	3,313	(0.4)	(0.6)	(0.1)	(0.4)	12.6
SENSEX	40,558	(0.4)	2.1	6.6	6.3	3.9
Brent (US\$/bbl)	42.46	1.7	(1.6)	2.5	(2.0)	(31.1)
Gold (US\$/oz)	1,904	(1.1)	(0.2)	(0.4)	0.9	26.6
CRB Index	415.1	(0.2)	0.8	1.8	11.5	6.1
Rogers Agri Index	794.3	0.2	1.8	6.2	14.4	9.2
LIBOR (3M)*	0.21	(1)	(1)	(1)	(4)	(173)
INR 5Y Swap*	5.23	0	(4)	(33)	(3)	(139)
India FII data (US\$ mn)						
	21 Oct	20 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	(18.2)	77.7	56.6	297.8	(14,382.0)	(4,622.5)
FII-Equity	287.9	249.7	808.7	2,001.0	6,041.1	12,644.1

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

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