

## MACRO DAILY

23 September 2020

### Macro developments

- According to the first advance estimates, total food grain production in the country during the kharif season is estimated at 144.5mn ton, on the back of normal monsoon. These estimates are higher by 0.8% compared with last year and higher by 9.83mn ton than average production of last five years. Production estimates of both cotton and sugarcane are also higher by 4.6% and 12.4% respectively from last year.
- Government is aiming to subsume 44 central laws into four codes on wages, industrial relations, occupational safety, health and working conditions and social security. This would provide for 'one labour return, one licence and one registration' and help securing a higher rank in the Ease of Doing Business (current rank: 63, up 14 places from last year).
- Japan's flash manufacturing PMI remained broadly unchanged at 47.3 in Sep'20 versus 47.2 in Aug'20 led by a sharp decline in output. The index has remained in the contractionary zone for the 17<sup>th</sup> straight month. Green shoots were however visible as employment and business sentiment improved. Services PMI edged up to its highest since Jan'20 at 45.6 in Sep'20 versus 45 in Aug'20.

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### Markets

- **Bonds:** Global yields closed mixed amidst rising fresh COVID-19 cases in France and Spain and growing US-China tensions. US 10Y yield rose by 1bps (0.67%) as housing data rebounded. Crude prices rose by 0.7% (US\$ 42/bbl). India's 10Y yield closed flat at 6.01%. It is trading flat today.
- **Currency:** Except CNY, other global currencies closed lower against the dollar. DXY rose by 0.3% on safe-haven demand. GBP fell the most by 0.7% as government introduced new restrictions to curb the spread of COVID-19. EUR depreciated by 0.5% even as Euro Area consumer confidence inched up in Sep'20. INR fell by 0.3%. It is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Barring Shanghai Comp and Sensex, global indices ended in green. Gains in US and European markets were driven by tech and oil & gas stocks respectively. Sensex fell by 0.7%, dragged by capital goods, auto and real estate stocks. However, it is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.67	1	(1)	4	(4)	(97)
UK	0.20	5	(1)	0	(1)	(33)
Japan	0.02	0	(1)	(2)	0	25
Germany	(0.51)	3	(3)	0	(10)	10
India	6.01	0	(2)	(8)	11	(77)
China	3.09	(1)	(2)	10	18	(3)
<b>2Y yields (Δ bps)</b>						
US	0.14	0	0	(1)	(5)	(149)
UK	(0.05)	7	2	0	1	(51)
Japan	(0.14)	0	(1)	(3)	(1)	18
Germany	(0.71)	1	(2)	(3)	(5)	2
India	4.44	0	(4)	12	10	(136)
China	2.59	(2)	(3)	15	36	2
<b>Currencies (Δ %)</b>						
EUR	1.1708	(0.5)	(1.2)	(0.8)	3.5	6.2
GBP	1.2733	(0.7)	(1.2)	(2.7)	1.7	2.0
JPY	104.93	(0.3)	0.5	0.8	1.5	2.0
AUD	0.7171	(0.7)	(1.8)	0.1	3.5	5.4
INR	73.59	(0.3)	0.1	1.7	2.7	(3.6)
CNY	6.7799	0.4	0	2.0	3.9	4.7
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,288	0.5	(2.5)	(2.3)	4.3	1.8
FTSE	5,829	0.4	(4.5)	(2.9)	(7.8)	(20.1)
DAX	12,594	0.4	(4.7)	(1.3)	0.6	2.3
NIKKEI	23,360	0.2	(0.4)	1.9	3.6	5.7
Shanghai Comp	3,274	(1.3)	(0.6)	(3.1)	10.2	9.7
SENSEX	37,734	(0.8)	(3.4)	(1.8)	6.5	(3.5)
Brent (US\$/bbl)	41.72	0.7	2.9	(5.9)	(2.1)	(33.9)
Gold (US\$/oz)	1,900	(0.6)	(2.8)	(2.1)	7.5	24.0
CRB Index	406.9	(0.2)	0.3	5.3	12.2	5.4
Rogers Agri Index	749.8	0.2	0.9	4.1	11.5	6.8
LIBOR (3M)*	0.22	0	(2)	(3)	(7)	(189)
INR 5Y Swap*	5.52	(4)	(6)	4	26	(80)
<b>India FII data (US\$ mn)</b>						
	<b>21 Sep</b>	<b>18 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	128.6	46.5	128.6	485.9	(14,604.1)	(4,844.6)
FII-Equity	(38.7)	248.8	(38.7)	773.2	5,580.6	12,183.5

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

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