

MACRO DAILY

24 December 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 329bn and stood at Rs 27.7tn for the week ending 18 Dec 2020. Reserve money rose by 14.8% on a YoY basis, compared with 13.2% a year ago. On FYTD basis, reserve money increased by 10.3% as against 5% a year ago.
- As per CMIE data, labour market scenario in India remained weak. Unemployment rate (30-day moving average) edged up to 9.6% as on 23 Dec 2020 compared with 8.2% in the previous week. This was led by sharp jump in rural unemployment rate (10% from 8.1%). Even urban unemployment rate rose to 8.8% from 8.4% in the previous week.
- US new home sales declined by 11% in Nov'20 on MoM basis to 841,000 units compared with 999,000 units in Oct'20. This is the lowest level since Jun'20. On the positive side, new orders for US manufactured goods rose for the 7th straight month by 0.9% in Nov'20 versus 1.8% in Oct'20. Core capital goods order, proxy for business investment also rose by 0.4% in Nov'20. Separately, jobless claims for the week ended 19 Dec 2020 fell by 89,000 to 803,000 (est., 885,000).

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Markets

- **Bonds:** Except China, global yields closed higher amidst hopes of a conclusive Brexit deal. UK 10Y yield rose the most by 10bps (0.29%). US 10Y yield rose by 3bps (0.94%) supported by better jobs data. Crude prices also rose by 2.2% to US\$ 51/bbl. India's 10Y yield closed flat at 5.95%. It is trading higher at 5.97% today.
- **Currency:** Except CNY (flat), other global currencies ended higher against the dollar. After rising for 3-straight session, DXY fell by 0.3%. GBP rose by 1% on expectations of finalisation of Brexit trade deal. EUR too gained by 0.2%. INR rose by 0.1%. It is trading flat today, while other Asian currencies are trading mixed.
- **Equity:** Global indices ended higher amidst hopes of a Brexit trade deal. Amongst other indices, Dax (1.3%) gained the most followed by Sensex (1%) and Shanghai Comp (0.8%). The gains in the domestic market were led by strong global cues and a rally in real estate and metal stocks. 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
10Y yields (Δ bps)						
US	0.94	3	3	12	27	(96)
UK	0.29	10	1	(2)	7	(48)
Japan	0.01	0	0	0	0	3
Germany	(0.55)	5	2	4	(4)	(31)
India	5.95	0	1	7	(4)	(63)
China	3.22	(2)	(8)	(12)	12	7
2Y yields (Δ bps)						
US	0.12	0	0	(4)	(2)	(150)
UK	(0.12)	1	(4)	(8)	(7)	(68)
Japan	(0.13)	0	0	1	2	(1)
Germany	(0.70)	3	2	5	0	(8)
India	3.87	(1)	(0)	(10)	(56)	(194)
China	2.67	(1)	(8)	(27)	8	27
Currencies (Δ %)						
EUR	1.2187	0.2	(0.1)	2.8	4.5	9.9
GBP	1.3493	1.0	(0.1)	1.6	6.0	4.1
JPY	103.57	0.1	(0.1)	0.3	1.7	5.3
AUD	0.7575	0.7	0	3.7	7.1	9.5
INR	73.76	0.1	(0.2)	0.5	(0.3)	(3.5)
CNY	6.5406	0	(0.1)	0.3	3.9	6.4
Equity & Other indices (Δ %)						
Dow	30,130	0.4	(0.1)	3.0	12.6	5.7
FTSE	6,496	0.7	(1.1)	2.3	10.1	(14.9)
DAX	13,587	1.3	0.2	3.4	7.5	2.2
NIKKEI	26,525	0.3	(0.9)	3.9	13.6	11.5
Shanghai Comp	3,382	0.8	0.5	0.1	3.1	13.4
SENSEX	46,444	1.0	(0.5)	5.8	23.3	12.0
Brent (US\$/bbl)	51.20	2.2	0.2	13.9	22.6	(23.8)
Gold (US\$/oz)	1,873	0.6	0.4	0.1	0.5	24.9
CRB Index	439.7	0.2	0.7	3.0	8.9	10.3
Rogers Agri Index	860.8	1.1	3.2	4.1	15.4	15.1
LIBOR (3M)*	0.24	(1)	0	3	1	(172)
INR 5Y Swap*	5.29	(3)	1	18	(20)	(137)
India FII data (US\$ mn)						
	22 Dec	21 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(58.2)	(111.5)	(169.7)	593.8	(14,025.3)	(4,265.8)
FII-Equity	436.1	3.1	439.2	6,355.9	22,461.6	29,064.6

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

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