

MACRO DAILY

24 September 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 58bn and stood at Rs 26.9tn for the week ending 18 Sep 2020. Reserve money rose by 14.8% on a YoY basis, compared with 12.7% a year ago. On a FYTD basis, reserve money increased by 6.3% as against 1.2% last year.
- Manufacturing activity showed improvement while services activity faltered globally. In the Eurozone, flash manufacturing PMI improved to a 25-month high of 53.7 in Sep'20 from 51.7 in Aug'20. Services PMI hit a 4-month low of 47.6 from 50.5 in Aug'20. In the US, manufacturing PMI rose to a 20-month high of 53.5 from 53.1 in Aug'20. Services PMI was at its 2-month low of 54.6 from 55 in Aug'20. Moderate rise in input cost was visible and employment remained considerably bleak.
- Germany's consumer confidence for Oct'20 edged up a tad to (-) 1.6 points from (-) 1.7 in Sep'20. This was on the back of improvement in economic (24.1 versus 11.7) and income expectations (16.1 from 12.8). However, willingness to spend index eased to its lowest since Jun'20, owing to rising lay-offs and decline in nominal wages (4% in Q2).

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Markets

- **Bonds:** Global yields closed mixed amidst rising COVID-19 cases globally, Asia Pacific tensions and muted services activity. US 10Y yield closed stable at 0.67% as investors were cautious post Fed's comments over long and uncertain recovery. Crude prices rose by 0.1% (US\$ 42/bbl) due to decline in US inventory. India's 10Y yield fell by 2bps (5.99%) on expectation of more OMO purchase by RBI. It is trading flat today.
- **Currency:** Except INR, other global currencies closed lower as rising COVID-19 cases raised concerns over global recovery. DXY rose for the 3rd straight session (0.4%) on safe-haven demand. AUD depreciated by 1.4% as Australia's retail sales slumped in Aug'20. INR closed flat. It is trading lower today while other Asian currencies are trading higher.
- **Equity:** Global indices ended mixed as investors continue to monitor rising COVID-19 cases. Dow (1.9%) declined as Fed warned of risks to US recovery without additional stimulus. European indices ended in green even as composite PMI came below expectations. Sensex too ended lower, dragged by power stocks. It is trading lower today in line with Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.67	0	(2)	4	(1)	(106)
UK	0.22	2	1	1	3	(32)
Japan	0.01	(1)	(1)	(3)	(1)	26
Germany	(0.51)	0	(2)	0	(7)	7
India	5.99	(2)	0	(10)	7	(77)
China	3.09	0	(4)	10	22	(3)
2Y yields (Δ bps)						
US	0.14	0	0	0	(5)	(154)
UK	(0.05)	0	1	0	2	(50)
Japan	(0.15)	(1)	(1)	(4)	(1)	19
Germany	(0.70)	1	(2)	(2)	(3)	3
India	4.43	0	(1)	12	9	(136)
China	2.59	0	(3)	15	41	3
Currencies (Δ %)						
EUR	1.1660	(0.4)	(1.3)	(1.2)	3.6	6.6
GBP	1.2724	(0.1)	(1.9)	(2.8)	2.5	3.0
JPY	105.39	(0.4)	(0.4)	0.4	1.5	2.2
AUD	0.7072	(1.4)	(3.2)	(1.2)	3.0	4.8
INR	73.57	0	(0.1)	1.7	2.8	(3.6)
CNY	6.8091	(0.4)	(0.8)	1.6	3.8	4.5
Equity & Other indices (Δ %)						
Dow	26,763	(1.9)	(4.5)	(4.2)	5.2	(0.8)
FTSE	5,899	1.2	(2.9)	(1.7)	(3.7)	(19.1)
DAX	12,643	0.4	(4.6)	(1.0)	4.5	3.3
NIKKEI	23,346	(0.1)	(0.5)	1.9	3.6	6.0
Shanghai Comp	3,280	0.2	(0.1)	(3.0)	10.1	11.0
SENSEX	37,668	(0.2)	(4.2)	(2.0)	8.0	(2.4)
Brent (US\$/bbl)	41.77	0.1	(1.1)	(5.8)	3.6	(33.1)
Gold (US\$/oz)	1,863	(1.9)	(4.9)	(4.0)	5.8	23.9
CRB Index	403.9	(0.7)	(0.6)	4.5	11.8	4.3
Rogers Agri Index	746.0	(0.5)	(0.3)	3.6	11.8	6.2
LIBOR (3M)*	0.22	0	(1)	(3)	(6)	(188)
INR 5Y Swap*	5.49	(3)	(6)	1	21	(81)
India FII data (US\$ mn)						
	22 Sep	21 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(35.8)	128.6	92.8	450.1	(14,639.9)	(4,880.4)
FII-Equity	(241.5)	(38.7)	(280.1)	531.7	5,339.1	11,942.0

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

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