

MACRO DAILY

25 November 2020

Macro developments

- High-frequency data for India shows that post festival demand, there is marginal easing in trading activity observed. Average e-way bills generation which increased by ~14.5mn each week in Oct'20, are seeing an increase of ~12.2mn in Nov'20. Rail freight movement in the 1st 10 days of Nov'20 also slowed to 13.6% from 21.1% in the same period in Oct'20. Electricity demand has also dipped to 4.9% in Nov'20 so far from 5.3% in Oct'20.
- Germany's GDP rebounded to 8.5% in Q3CY20 higher than estimate of 8.2% and 9.8% decline in Q2. This was led by private consumption which rose by 10.8% against 11.1% contraction in Q2. In a separate print, IFO index edged down to 90.7 from 92.5 in Oct'20, due to rising Covid-19 cases and stringent restrictions impacting the services industry the most.
- US consumer confidence fell to 96.1 in Nov'20 from 101.4 in Oct'20. The sub-index for present situation eased to 105.9 from 106.2, while the expectation index (short-term outlook on income and labour market) fell much more sharply to 89.5 from 98.2 in Oct'20. Delay in new fiscal stimulus and resurgence in Covid-19 cases impacted the mood.

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Markets

- Bonds:** Except India, global yields closed higher. US 10Y yield rose by 3bps (0.88%) as risk sentiment improved over transition to Biden's administration. Crude prices also rose by 3.9% (US\$ 48/bbl-highest since Mar'20), supported by vaccine developments. India's 10Y yield fell by 2bps (5.88%) amidst speculation of RBI's purchase in the secondary market. It is trading at 5.89% today.
- Currency:** Barring CNY, other global currencies ended higher against the dollar. Investors moved to riskier assets and DXY fell by 0.3% as positive developments over potential vaccine, Biden transition and Yellen's pick as treasury secretary boosted investor sentiments. INR rose by 0.1%. It is trading further higher today while other Asian currencies are trading mixed.
- Equity:** Except Shanghai Comp, global indices closed higher supported by reduced uncertainty in US political scenario, better GDP print in Germany and optimism over upcoming vaccine. Nikkei rose the most (2.5%) followed by FTSE (1.6%). Sensex rose by 1% led by banking and auto stocks. It is further trading higher today in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.88	3	2	4	20	(86)
UK	0.33	1	1	5	7	(32)
Japan	0.03	1	0	(2)	(1)	11
Germany	(0.56)	2	0	1	(13)	(19)
India	5.88	(2)	0	4	(25)	(60)
China	3.32	3	4	12	27	13
2Y yields (Δ bps)						
US	0.16	0	(1)	0	1	(142)
UK	(0.02)	1	2	2	0	(51)
Japan	(0.13)	0	0	(1)	(3)	5
Germany	(0.74)	1	(2)	2	(9)	(11)
India	3.90	(5)	(18)	(26)	(49)	(152)
China	2.98	3	13	34	51	34
Currencies (Δ %)						
EUR	1.1892	0.4	0.3	0.3	0.5	7.9
GBP	1.3357	0.3	0.8	2.4	1.6	3.8
JPY	104.44	0.1	(0.2)	0.3	1.8	4.2
AUD	0.7361	1.0	0.8	3.1	2.3	8.4
INR	74.00	0.1	0.6	(0.5)	0.4	(3.5)
CNY	6.5915	(0.1)	(0.5)	1.4	4.6	6.3
Equity & Other indices (Δ %)						
Dow	30,046	1.5	0.9	6.0	6.4	6.8
FTSE	6,432	1.6	1.1	9.8	6.5	(13.1)
DAX	13,292	1.3	1.2	5.1	1.8	0.4
NIKKEI^	26,166	2.5	0.6	11.3	12.3	11.9
Shanghai Comp	3,403	(0.3)	1.9	3.8	0.9	17.1
SENSEX	44,523	1.0	1.3	9.4	14.6	9.1
Brent (US\$/bbl)	47.86	3.9	9.4	14.6	4.4	(25.5)
Gold (US\$/oz)	1,808	(1.6)	(3.9)	(5.0)	(6.3)	23.7
CRB Index	427.1	0.1	1.4	2.8	9.5	10.4
Rogers Agri Index	831.5	0	1.0	4.0	14.0	14.4
LIBOR (3M)*	0.21	0	(2)	(1)	(4)	(170)
INR 5Y Swap*	5.19	6	7	(5)	(35)	(121)
India FII data (US\$ mn)						
	23 Nov	20 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(75.8)	48.7	(75.8)	19.2	(14,210.5)	(4,451.0)
FII-Equity	659.5	525.9	659.5	7,349.0	13,895.4	20,498.4

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

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