

## MACRO DAILY

25 September 2020

### Macro developments

- As announced under the Atama Nirbhar Bharat Abhiyan package, centre has increased the borrowing limits of 5 states (A.P, Telangana, Karnataka, Goa and Tripura) by 0.5% of their GSDP as they have implemented the 'One Nation One Ration Card' card scheme. This will allow them to borrow additional Rs 99.13bn from the markets.
- US jobless claims for the week ending 19 Sep rose by 4,000 to 0.87mn (est.:0.84mn) signalling the need for additional fiscal stimulus in order to aid the economic recovery. Separately, new home sales rebounded to near 14-year high of 1.01mn units in Aug'20 (4.8% MoM) on the back of robust demand and lower mortgage rates.
- Germany's Ifo business climate index rose for the 5th straight month to 93.4 in Sep'20 from 92.5 in Aug'20. The improvement was led by manufacturing as export demand picked up. However, services sector continues to remain weak. Separately, business confidence index in France also rose to its highest since Feb'20 at 92 versus 90 in Aug'20. Both industrial as well as services sector showed improvement.

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### Markets

- Bonds:** Except US, global yields closed stable. Investors monitored rising cases in Europe and UK's plan to boost employment. Apart from this, announcement about inclusion of Chinese government bonds in the FTSE from Oct'21 impacted sentiments. US 10Y yield fell by 1bps (0.67%) due to weak jobless claims print. Crude prices rose by 0.4% (US\$ 42/bbl). India's 10Y yield closed flat at 5.99%. It is trading at 6% today.
- Currency:** Global currencies closed mixed. DXY closed lower as US jobless claims rose. GBP rose by 0.2% as UK announced new job support scheme. EUR also rose by 0.1% as business confidence in Germany and France improved. INR depreciated by 0.5% amidst FII outflows. It is trading higher today in line with other Asian currencies.
- Equity:** Barring Dow, other global indices ended lower as hopes of global economic recovery faded with rising COVID-19 cases. Amongst other indices, Sensex (3%) declined the most led by tech and auto stocks. This was followed by Shanghai Comp (1.7%) and FTSE (1.3%). Sensex 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)	(2)	1	(2)	(103)
UK	0.22	0	3	1	7	(30)
Japan	0.01	0	(1)	(2)	0	26
Germany	(0.50)	0	(1)	(1)	(3)	8
India	5.99	0	(4)	(17)	10	(72)
China	3.09	0	(5)	9	22	(4)
<b>2Y yields (Δ bps)</b>						
US	0.13	(1)	0	(2)	(5)	(152)
UK	(0.05)	0	6	(1)	3	(49)
Japan	(0.14)	1	0	(4)	(1)	19
Germany	(0.70)	1	0	(2)	(1)	5
India	4.43	0	(1)	6	12	(136)
China	2.59	0	(2)	14	41	3
<b>Currencies (Δ %)</b>						
EUR	1.1672	0.1	(1.5)	(1.0)	4.0	6.9
GBP	1.2747	0.2	(1.7)	(2.4)	2.6	3.4
JPY	105.41	0	(0.6)	0.5	1.7	2.2
AUD	0.7047	(0.4)	(3.6)	(1.6)	2.3	4.4
INR	73.91	(0.5)	(0.3)	0.6	2.3	(4.3)
CNY	6.8287	(0.3)	(1.0)	1.3	3.5	4.3
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,815	0.2	(3.9)	(5.3)	4.2	(0.3)
FTSE	5,823	(1.3)	(3.8)	(4.6)	(5.3)	(20.8)
DAX	12,607	(0.3)	(4.6)	(3.5)	3.5	2.6
NIKKEI	23,088	(1.1)	(1.0)	0.4	3.7	4.7
Shanghai Comp	3,223	(1.7)	(1.4)	(4.8)	8.2	10.0
SENSEX	36,554	(3.0)	(6.2)	(5.8)	4.9	(6.2)
Brent (US\$/bbl)	41.94	0.4	(3.1)	(7.1)	2.2	(33.2)
Gold (US\$/oz)	1,868	0.3	(3.9)	(3.2)	5.9	24.1
CRB Index	402.5	(0.4)	(1.4)	3.9	11.2	3.8
Rogers Agri Index	742.1	(0.5)	(1.7)	2.9	11.5	5.5
LIBOR (3M)*	0.23	0	0	(1)	(8)	(188)
INR 5Y Swap*	5.50	1	(4)	(4)	25	(81)
<b>India FII data (US\$ mn)</b>						
	<b>23 Sep</b>	<b>22 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	25.6	(35.8)	118.3	475.7	(14,614.3)	(4,854.8)
FII-Equity	(527.3)	(241.5)	(807.4)	4.5	4,811.8	11,414.8

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

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