

## MACRO DAILY

26 October 2020

### Macro developments

- In order to meet the GST compensation cess gap, Govt has transferred Rs 60bn to 16 states under the 1st tranche of Rs 1.1tn payment to be made. So far 21 states and 2 UTs have opted for the scheme where India's central government will borrow Rs 1.1tn from the market and transfer to states as back to back loans. Each week MoF will transfer Rs 60bn to states. It is borrowing at 5.19% in 3-5 years tenor.
- India's forex reserves rose to a fresh historic high at US\$ 555.1bn in the week ended 16 Oct 2020. FX reserves increased by US\$ 3.6bn this week compared with an increase of US\$ 5.9bn last week. In FYTD21, forex reserves have increased by US\$ 79.6bn compared with an accretion of US\$ 28.8bn in the same period last year.
- Flash Eurozone PMI signalled a renewed possible downturn at the beginning of Q4CY20, as composite PMI dropped to a 4-month low (49.4 in Oct'20 from 50.4 in Sep'20). This was on the back of deterioration in services activity due to a resurgence in COVID-19 cases. However, Germany was the only exception as it reported steady growth (54.5 in Oct'20 from 54.7), led by the manufacturing sector.

**Aditi Gupta | Sameer Narang**
[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)

### Markets

- Bonds:** Global yields closed mixed with India's 10Y yield falling the most (7bps), followed by US and Germany (1bps each). Resurgence in COVID-19 cases in the US and Europe, along with ongoing uncertainty around the US fiscal stimulus impacted investor sentiments. As a result, crude prices also fell by 1.6% (US\$ 41.7/bbl). India's 10Y yield closed lower at 5.84% supported by higher frequency of RBI OMOs. It is trading at 5.80% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% amidst uncertainty over US fiscal stimulus. GBP depreciated by 0.3% as UK's composite PMI fell to a 4-month low in Oct'20. INR fell by 0.1%. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Dow and Shanghai Comp other global indices ended higher as investors monitored US stimulus negotiations. Amongst other indices, FTSE (1.3%) gained the most followed by Dax (0.8%). Sensex (0.3%) too ended in green driven by a rally in auto and consumer durable stocks. However, it is trading lower 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	0.84	(1)	10	18	25	(95)
UK	0.28	0	10	6	14	(40)
Japan	0.04	1	2	3	2	18
Germany	(0.57)	(1)	5	(7)	(13)	(21)
India	5.84	(7)	(9)	(15)	2	(66)
China	3.20	3	(2)	11	33	(4)
<b>2Y yields (Δ bps)</b>						
US	0.16	0	1	2	1	(146)
UK	(0.03)	(1)	2	2	6	(56)
Japan	(0.12)	1	1	2	1	11
Germany	(0.76)	1	2	(6)	(11)	(11)
India	4.16	(3)	(9)	(27)	(1)	(142)
China	2.64	1	(8)	5	37	1
<b>Currencies (Δ %)</b>						
EUR	1.1860	0.4	1.2	1.6	1.8	7.0
GBP	1.3039	(0.3)	1.0	2.3	1.9	1.7
JPY	104.71	0.1	0.7	0.7	1.3	3.6
AUD	0.7139	0.3	0.8	1.3	0.5	4.6
INR	73.61	(0.1)	(0.4)	0.4	1.6	(3.8)
CNY	6.6867	0	0.2	2.1	4.7	5.4
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,336	(0.1)	(0.9)	5.7	7.0	5.1
FTSE	5,860	1.3	(1.0)	0.6	(4.3)	(20.0)
DAX	12,646	0.8	(2.0)	0.3	(1.5)	(1.9)
NIKKEI	23,517	0.2	0.5	1.9	3.4	3.1
Shanghai Comp	3,278	(1.0)	(1.7)	1.7	2.5	10.9
SENSEX	40,686	0.3	1.8	11.3	6.7	4.2
Brent (US\$/bbl)	41.77	(1.6)	(2.7)	(0.4)	(3.6)	(32.7)
Gold (US\$/oz)	1,902	(0.1)	0.1	1.8	0.0	26.4
CRB Index	415.3	0	0.9	3.2	11.1	6.3
Rogers Agri Index	799.3	0.6	2.2	7.7	15.2	9.8
LIBOR (3M)*	0.22	0	0	(2)	(3)	(171)
INR 5Y Swap*	5.24	1	(4)	(26)	1	(128)
<b>India FII data (US\$ mn)</b>						
	<b>22 Oct</b>	<b>21 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	69.5	(18.2)	126.1	367.2	(14,312.6)	(4,553.1)
FII-Equity	166.4	287.9	975.1	2,167.4	6,207.5	12,810.5

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

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)