

MACRO DAILY

27 November 2020

Macro developments

- RBI governor in his recent address highlighted that the sustainability of demand post festive season is to be carefully watched, as downside risks to growth still persist. He pointed out that the recent focus is on maintaining financial stability through 1) liberalising financial markets 2) internationalisation of the same for lowering transaction costs 3) safeguarding interests of the users and 4) ensuring resilience and safety.
- China's industrial profits rose by 28.2% in Oct'20 from 10.1% in Sep'20. The print was supported by lower base, recovery in exports and consumption, which offset the negative impact of deflation in PPI. In CYTD20, profits are up by 0.7% versus decline of 2.4% in Jan-Sep'20, led by private firms (1.1%), while SoEs have seen 7.5% decline in Jan-Oct'20.
- Consumer confidence weakened in Germany as seen in the Gfk index which fell to (-) 6.7 in Nov'20 against (-) 3.2 in Oct'20 and expectation of (-) 5. All sub-components noted a decline, with economic expectation index at its lowest since May'20. This was on account of partial lockdown due to rising Covid-19 cases in the region (0.6mn increase in Nov'20).

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Markets

- **Bonds:** Global yields closed mixed amidst rising doubts over efficacy of vaccine and dovish comments from ECB minutes. UK 10Y yield fell by 4bps (0.28%) amidst uncertainty over trade negotiations with EU. Crude prices fell by 1.7% (US\$ 48/bbl) amidst concerns of excess supply. India's 10Y yield fell by 1bps (5.87%) and is trading at 5.88% today.
- **Currency:** Global currencies closed mixed. GBP fell the most (0.2%) while JPY (0.2%) and CNY (0.1%) gained. Deprecation of GBP was largely on the back of uncertainty around finalisation of Brexit trade deal. EUR, AUD and INR closed flat. INR is trading higher today while other Asian currencies are trading lower.
- **Equity:** Except FTSE and Dax, global indices closed higher amidst end of political uncertainty in the US. Brexit trade deal talks impacted European markets. Dow was closed on account of Thanksgiving holiday in the US. Sensex rose by 1%, led by metal and banking stocks. It is trading lower today while other Asian markets are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.88	0	5	8	13	(88)
UK	0.28	(4)	(4)	1	(6)	(40)
Japan	0.03	1	1	(1)	(2)	11
Germany	(0.59)	(2)	(2)	(1)	(18)	(23)
India	5.87	(1)	0	4	(28)	(59)
China	3.30	1	(6)	11	24	12
2Y yields (Δ bps)						
US	0.16	0	0	1	0	(147)
UK	(0.04)	(2)	(1)	(1)	(3)	(56)
Japan	(0.14)	0	(1)	(1)	(3)	4
Germany	(0.76)	(1)	(2)	0	(10)	(12)
India	3.90	1	(11)	(25)	(58)	(145)
China	2.94	(2)	2	31	44	31
Currencies (Δ %)						
EUR	1.1913	0	0.3	0.9	0.8	8.2
GBP	1.3358	(0.2)	0.7	2.6	1.2	3.5
JPY	104.26	0.2	(0.5)	0.6	2.2	4.8
AUD	0.7362	0	1.0	3.4	1.4	8.7
INR	73.89	0	0.5	(0.1)	(0.1)	(3.2)
CNY	6.5756	0.1	0.1	2.0	4.6	6.5
Equity & Other indices (Δ %)						
Dow	29,872	(0.6)	1.3	7.9	4.8	6.1
FTSE	6,363	(0.4)	0.5	9.9	6.0	(14.2)
DAX	13,287	(0.0)	1.5	9.1	1.5	0.3
NIKKEI^	26,537	0.9	3.5	13.0	14.3	13.4
Shanghai Comp	3,370	0.2	0.2	3.6	0.6	16.6
SENSEX	44,260	1.0	1.5	10.2	13.2	7.6
Brent (US\$/bbl)	47.80	(1.7)	8.1	18.1	6.0	(25.2)
Gold (US\$/oz)	1,816	0.5	(2.7)	(4.5)	(5.9)	24.7
CRB Index	427.1	0	0.9	2.8	9.2	10.4
Rogers Agri Index	825.8	(0.7)	0.3	3.2	11.8	13.9
LIBOR (3M)*	0.23	0	2	1	(1)	(168)
INR 5Y Swap*	5.21	0	12	(1)	(45)	(117)
India FII data (US\$ mn)						
	25 Nov	24 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(164.6)	(102.1)	(342.5)	(247.6)	(14,477.3)	(4,717.7)
FII-Equity	(180.8)	747.0	1,225.7	7,915.2	14,461.7	21,064.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Markets in US were closed on 26.11.2020

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