

MACRO DAILY

27 October 2020

Macro developments

- As per news reports, Government of India is expected to announce another round of fiscal stimulus around the festive season. The new set of measures could include focus towards infrastructure sector, special intervention towards tourism and hospitality sector and the extension of the production-linked incentive (PLI) scheme for other sectors. Special attention will be given to tier-1 to tier-4 cities in order to generate substantial employment.
- Ifo business climate index for Germany fell to 92.7 in Oct'20 from 93.0 in Sep'20. The higher than estimated decline (est. 93) was due to rising Covid-19 cases which affected business morale. Ifo expects GDP growth at 2.1% in Q4CY20, but a second lockdown is a potential risk. Further, rising cases in other European countries will also dampen exports.
- China's industrial profit growth eased to 10.1% in Sep'20 from 19.1% increase in Aug'20. This is in line with slowdown seen in PPI inflation. On CYTD basis, profit growth fell by only 2.4%, compared with 4.4% decline registered in Jan-Aug'20. This improvement was driven by auto manufacturing and non-ferrous/ferrous metal smelting and processing.

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Markets

- Bonds:** Global yields closed lower with US 10Y yield falling the most (4bps) to 0.8%. Sharp uptick in Covid-19 cases in the US and uncertainty around fiscal stimulus deal impacted investor sentiments. Crude prices also fell by 3.1% (US\$ 40.5/bbl) owing to weak demand outlook and rebound in Libya's output. India's 10Y yield fell by 1bps to 5.84% supported by RBI buying. It is trading at 5.83% today
- Currency:** Global currencies closed lower against the dollar. DXY rose by 0.3% on safe-haven demand as Covid-19 cases continued to surge in the US and Europe. Uncertainty over US fiscal stimulus also impacted sentiments. EUR and CNY fell by 0.4% each. INR depreciated by 0.3%. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Global indices ended lower amidst uncertainty over US stimulus and renewed surge in COVID-19 cases. Dax (3.7%) declined the most followed by Dow (2.3%). Sensex (1.3%) too ended in red led by a broad based sell-off. Auto and metal stocks fell the most. 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
10Y yields (Δ bps)						
US	0.80	(4)	3	15	19	(104)
UK	0.28	(1)	11	9	17	(45)
Japan	0.04	(1)	1	2	1	16
Germany	(0.58)	(1)	5	(5)	(9)	(25)
India	5.84	(1)	(10)	(20)	(2)	(67)
China	3.19	(1)	(1)	6	29	(11)
2Y yields (Δ bps)						
US	0.15	(1)	0	2	0	(149)
UK	(0.03)	0	4	3	7	(58)
Japan	(0.13)	(1)	0	2	(2)	8
Germany	(0.76)	0	3	(5)	(9)	(11)
India	4.15	(1)	(10)	(30)	(8)	(143)
China	2.64	1	(8)	4	39	1
Currencies (Δ %)						
EUR	1.1810	(0.4)	0.3	1.5	0.5	6.4
GBP	1.3024	(0.1)	0.6	2.2	1.1	1.3
JPY	104.84	(0.1)	0.6	0.7	0.5	3.8
AUD	0.7123	(0.2)	0.7	1.3	(0.4)	4.2
INR	73.85	(0.3)	(0.7)	(0.3)	1.3	(4.2)
CNY	6.7122	(0.4)	(0.4)	1.6	4.1	5.0
Equity & Other indices (Δ %)						
Dow	27,685	(2.3)	(1.8)	1.9	4.1	2.2
FTSE	5,792	(1.2)	(1.6)	(0.9)	(5.1)	(21.0)
DAX	12,177	(3.7)	(5.3)	(2.3)	(5.2)	(5.9)
NIKKEI	23,494	(0.1)	(0.7)	1.2	3.4	2.7
Shanghai Comp	3,251	(0.8)	(1.9)	1.0	1.4	9.1
SENSEX	40,146	(1.3)	(0.7)	7.4	5.8	2.8
Brent (US\$/bbl)	40.46	(3.1)	(5.1)	(3.5)	(6.8)	(34.3)
Gold (US\$/oz)	1,902	0	(0.1)	2.2	(2.1)	27.4
CRB Index	415.6	0.1	0.5	3.0	10.3	6.3
Rogers Agri Index	800.4	0.1	1.5	7.6	15.2	10.2
LIBOR (3M)*	0.22	0	1	0	(5)	(172)
INR 5Y Swap*	5.22	(3)	(4)	(27)	0	(130)
India FII data (US\$ mn)						
	23 Oct	22 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	250.3	69.5	376.4	617.5	(14,062.2)	(4,302.7)
FII-Equity	145.6	166.4	1,120.7	2,313.0	6,353.0	12,956.0

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

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