

MACRO DAILY

28 December 2020

Macro developments

- India's forex reserves rose by US\$ 2.6bn to a record high of US\$ 581.1bn in the week ended 18 Dec 2020. Last week, forex reserves had declined by US\$ 0.8bn. In FYTD21, forex reserves have increased by US\$ 105.6bn compared with an accretion of US\$ 43bn in the same period last year.
- As per news reports, between Jan-Sep'20, 78 resolution plans has been approved by bankruptcy courts. This is the highest number approved by NCLT since the inception of Insolvency and Bankruptcy Code (IBC). Out of this 78, 36 plans were approved between Q1CY20, 20 between Q2CY20 and 22 between Q3CY20. However, the ongoing pandemic and recent amendments may delay the process.
- Japan's factory output remained flat in Nov'20 after rising for five consecutive months. This was led by declining output of motor vehicles and plastic products, offsetting higher production of machinery and iron & steel output. Ministry expects the output will decline by 1.1% in Dec'20 and rebound sharply by 7.1% in Jan'21.

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Markets

- Bonds:** Global yields closed mixed. UK 10Y yield fell the most by 3bps (0.26%) monitoring trade deal between UK and EU. US 10Y yield fell by 2bps (0.92%) and will be supported in the current week due to announcement of US\$ 2.3tn stimulus. Crude prices rose by 0.2% (US\$ 51/bbl). India's 10Y yield rose by 1bps (5.96%). It is trading lower at 5.93% today supported by RBI's announcement of special OMOs of Rs 100bn.
- Currency:** Barring JPY (lower) and EUR (flat), other global currencies ended higher. GBP rose the most (0.5%) followed by INR and AUD. Positive developments on Brexit trade deal and beginning of vaccine rollout in Europe boosted investor sentiments. INR rose by 0.3% supported by FII inflows. It is trading further higher today, in line with other Asian currencies.
- Equity:** Apart from Shanghai Comp, other global indices ended higher. UK and EU finalised the Brexit trade deal. Amongst other indices, Sensex (1.1%) gained the most followed by Nikkei (0.5%) and Dow (0.2%). The gain in the domestic market was led by a rally in banking and oil & gas stocks. It 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
10Y yields (Δ bps)						
US	0.92	(2)	(2)	4	27	(95)
UK	0.26	(3)	1	(2)	7	(50)
Japan	0.02	1	1	(1)	1	2
Germany	(0.55)	0	2	4	(2)	(29)
India	5.96	1	0	9	(8)	(55)
China	3.23	1	(7)	(7)	10	10
2Y yields (Δ bps)						
US	0.12	0	0	(4)	(1)	(146)
UK	(0.12)	0	(4)	(8)	(6)	(69)
Japan	(0.12)	1	0	2	3	0
Germany	(0.71)	0	2	5	0	(7)
India	3.89	2	1	(2)	(56)	(194)
China	2.66	(1)	(7)	(29)	6	37
Currencies (Δ %)						
EUR	1.2187	0	(0.6)	2.3	4.8	9.0
GBP	1.3558	0.5	0.3	1.5	6.4	3.7
JPY	103.65	(0.1)	(0.3)	0.6	1.8	5.3
AUD	0.7597	0.3	(0.3)	3.2	8.1	8.8
INR	73.55	0.3	0	0.5	0.1	(3.1)
CNY	6.5300	0.2	0.2	0.7	4.3	6.7
Equity & Other indices (Δ %)						
Dow	30,200	0.2	0.1	1.1	11.1	5.4
FTSE	6,502	0.1	(0.4)	2.2	11.3	(14.9)
DAX	13,587	1.3	(0.3)	2.3	9.0	1.9
NIKKEI	26,668	0.5	(0.4)	0.5	14.9	11.9
Shanghai Comp	3,363	(0.6)	(0.9)	(0.2)	4.5	11.9
SENSEX	46,974	1.1	0	6.1	25.6	13.0
Brent (US\$/bbl)	51.29	0.2	(1.9)	7.3	22.4	(24.8)
Gold (US\$/oz)	1,883	0.6	0.1	3.7	1.2	24.7
CRB Index	440.6	0.2	0.6	3.2	9.2	9.9
Rogers Agri Index	863.4	0.3	1.6	4.6	16.0	14.1
LIBOR (3M)*	0.24	(1)	0	2	2	(170)
INR 5Y Swap*	5.26	(3)	(7)	5	(22)	(148)
India FII data (US\$ mn)						
	23 Dec	22 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(144.1)	(58.2)	(313.8)	449.8	(14,169.4)	(4,409.9)
FII-Equity	94.8	436.1	533.9	6,450.7	22,556.4	29,159.3

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Dax was closed on 24.12.20

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