

## MACRO DAILY

28 October 2020

### Macro developments

- RBI's study on state budgets indicates that while states had projected fiscal deficit for FY21 at 2.8% (of GSDP), it is expected at 4.6% instead. This is due to the Covid-19 pandemic, which has pushed revenues lower and spending higher. In FY20, fiscal deficit of states was at 2.6%. The report also flagged higher debt concerns due to increased reliance on market borrowings. It expects pressure on repayments to double from FY26.
- South Korea's GDP growth bounced back to 1.9% in Q3CY20 on a QoQ basis, from a contraction of 3.2% in Q2. This was the fastest pace of expansion since Q1CY10 and was led by a 15.6% increase in exports (contraction of 16.1% in Q2). Manufacturing growth too improved to 7.6% versus a decline of 8.9% in Q2. However, construction sector output fell by 5.5% versus 0.3% dip in Q2. Private consumption too declined.
- US consumer confidence dropped to 100.9 in Oct'20 from 101.3 in Sep'20. This was on the back of growing concerns in labour market as jobless claims and unemployment rate remain elevated. Economic expectations weakened (98.4 in Oct'20 from 102.9) ahead of US elections. Uncertainty over fiscal stimulus and resurgence of Covid-19 cases also dented sentiments.

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### Markets

- **Bonds:** Except Japan and India, global yields closed lower. US 10Y yield fell by 3bps to 0.77% as hopes of additional fiscal stimulus ahead of the elections dwindled. Crude prices rose by 1.8% (US\$ 41.2/bbl) owing to supply concerns (storm in Gulf of Mexico). India's 10Y yield rose by 1bps to 5.85%. It is trading flat today.
- **Currency:** Barring EUR, other global currencies closed higher against the dollar. DXY fell by 0.1% as US consumer confidence fell in Oct'20. GBP gained on expectations of positive outcome of Brexit talks. INR rose by 0.2%. It is trading further higher today in line with other Asian currencies.
- **Equity:** Global indices ended mixed as investors continued to monitor growing risk of Covid-19 infections. FTSE (1.1%) fell the most followed by Dax (0.9%). However, Sensex (0.9%) ended in green on reports that MSCI may change foreign ownership limits for Indian companies in its global indexes. It is trading higher today while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.77	(3)	(2)	11	19	(107)
UK	0.23	(4)	5	4	12	(48)
Japan	0.03	0	1	2	1	13
Germany	(0.62)	(4)	(1)	(9)	(11)	(26)
India	5.85	1	(8)	(19)	0	(67)
China	3.17	(2)	(3)	4	23	(14)
<b>2Y yields (Δ bps)</b>						
US	0.15	0	0	2	1	(150)
UK	(0.05)	(2)	2	2	5	(59)
Japan	(0.13)	0	0	2	(1)	7
Germany	(0.77)	(2)	1	(7)	(9)	(14)
India	4.19	4	(4)	(25)	(5)	(134)
China	2.67	3	0	7	42	4
<b>Currencies (Δ %)</b>						
EUR	1.1796	(0.1)	(0.2)	1.4	0.7	6.2
GBP	1.3044	0.2	0.7	2.3	0.9	1.4
JPY	104.42	0.4	1.0	1.1	0.6	4.1
AUD	0.7129	0.1	1.1	1.4	(0.4)	3.8
INR	73.72	0.2	(0.3)	(0.1)	1.5	(4.1)
CNY	6.7055	0.1	(0.4)	1.7	4.2	5.1
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,463	(0.8)	(3.0)	1.1	4.1	1.4
FTSE	5,729	(1.1)	(2.7)	(1.9)	(6.5)	(21.6)
DAX	12,064	(0.9)	(5.3)	(3.3)	(6.0)	(6.8)
NIKKEI	23,486	0	(0.3)	1.2	3.7	2.2
Shanghai Comp	3,254	0.1	(2.2)	1.1	0.8	10.2
SENSEX	40,522	0.9	(0.1)	8.4	5.3	1.7
Brent (US\$/bbl)	41.20	1.8	(4.5)	(1.7)	(4.7)	(33.1)
Gold (US\$/oz)	1,908	0.3	0.1	2.5	(2.6)	28.2
CRB Index	414.2	(0.3)	(0.1)	2.6	9.7	5.8
Rogers Agri Index	800.2	0	1.3	7.5	15.9	10.2
LIBOR (3M)*	0.22	1	1	0	(5)	(170)
INR 5Y Swap*	5.23	2	0	(25)	1	(130)
<b>India FII data (US\$ mn)</b>						
	<b>26 Oct</b>	<b>23 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(6.3)	250.3	(6.3)	611.2	(14,068.6)	(4,309.1)
FII-Equity	15.0	145.6	15.0	2,328.0	6,368.1	12,971.0

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

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