

MACRO DAILY

28 September 2020

Macro developments

- S&P retained India's sovereign rating at the lowest investment grade at BBB- with stable outlook. This was on account of possible rebound from a projected contraction of 9% in FY21 to a recovery of 10% in FY22. This will be supported by above-average long-term real GDP growth, sound external profile and policy stability. It also expects India's fiscal deficit to rise to 12.5% of GDP in FY21, led by weaker revenue generation, debt-to-GDP ratio is expected to exceed 90% this year.
- As per news reports, government is planning to offer US\$ 4.6bn incentives to companies for setting up manufacturing facilities to promote electric vehicles. Niti Aayog recommended that this would reduce India oil import bill by US\$ 40bn by FY30. Earlier, government has also announced the PLI scheme and incentives of Rs 409.51bn to boost manufacturing.
- GfK consumer confidence index for UK edged up to (-) 25 in Sep'20, from a historic low of (-) 36 in Jun'20. Improvement was seen in the index for general economic situation for the next 12 months as it edged up to (-) 38 from (-) 42 in Jun'20. However, with rising COVID-19 cases and new restrictions in place, the outlook may worsen.

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Markets

- **Bonds:** Global yields closed mixed as investors are cautious ahead of the election debate and resumption of talks over fiscal stimulus. US 10Y yield fell by 1bps (0.65%). Crude prices closed flat at US\$ 42/bbl. India's 10Y yield rose by 5bps (6.04%) as RBI did not accept any bids in OMO purchase. It is trading flat today.
- **Currency:** Except INR and CNY, other global currencies closed lower against the dollar. DXY rose by 0.3% as US durable goods orders rose more than expected in Aug'20. EUR fell by 0.4% as COVID-19 cases in the region continued to rise. INR rose by 0.4%. It is trading lower today while other Asian currencies are trading higher.
- **Equity:** Barring Dax and Shanghai Comp, other global indices ended higher led by tech stocks and on hopes of fiscal stimulus plans by the US. Amongst other indices, Sensex (2.3%) rose the most led by tech and auto stocks and supported by tax ruling decision. 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 | 0.65 | (1) | (4) | (10) | 1 | (103) |
| UK | 0.19 | (3) | 1 | (15) | 2 | (31) |
| Japan | 0.01 | 0 | 0 | (3) | 0 | 25 |
| Germany | (0.53) | (3) | (4) | (12) | (5) | 4 |
| India | 6.04 | 5 | 3 | (11) | 12 | (70) |
| China | 3.13 | 4 | 1 | 7 | 26 | (1) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.13 | 0 | (1) | (3) | (4) | (150) |
| UK | (0.07) | (2) | 5 | (5) | 0 | (46) |
| Japan | (0.15) | (1) | (1) | (3) | (3) | 17 |
| Germany | (0.71) | (1) | (1) | (5) | (1) | 6 |
| India | 4.45 | 1 | 1 | (4) | 19 | (136) |
| China | 2.60 | 1 | (1) | 10 | 42 | 4 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1631 | (0.4) | (1.8) | (1.6) | 3.7 | 6.3 |
| GBP | 1.2746 | 0 | (1.3) | (3.4) | 3.3 | 3.7 |
| JPY | 105.58 | (0.2) | (1.0) | 0.9 | 1.5 | 2.2 |
| AUD | 0.7031 | (0.2) | (3.5) | (3.1) | 2.4 | 3.9 |
| INR | 73.61 | 0.4 | (0.2) | 0.3 | 2.7 | (4.3) |
| CNY | 6.8238 | 0.1 | (0.8) | 1.0 | 3.6 | 4.2 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,174 | 1.3 | (1.7) | (4.6) | 8.6 | 1.3 |
| FTSE | 5,843 | 0.3 | (2.7) | (2.6) | (5.1) | (21.3) |
| DAX | 12,469 | (1.1) | (4.9) | (4.8) | 3.1 | 0.7 |
| NIKKEI | 23,205 | 0.5 | (0.7) | 0 | 3.1 | 6.1 |
| Shanghai Comp | 3,219 | (0.1) | (3.6) | (3.9) | 8.1 | 9.8 |
| SENSEX | 37,389 | 2.3 | (3.8) | (4.4) | 6.3 | (3.7) |
| Brent (US\$/bbl) | 41.92 | 0 | (2.9) | (7.0) | 2.2 | (32.3) |
| Gold (US\$/oz) | 1,862 | (0.3) | (4.6) | (3.5) | 5.1 | 24.4 |
| CRB Index | 403.5 | 0.3 | (1.6) | 3.2 | 12.4 | 4.1 |
| Rogers Agri Index | 744.2 | 0.3 | (2.4) | 0.8 | 13.0 | 5.7 |
| LIBOR (3M)* | 0.22 | (2) | (1) | (3) | (9) | (188) |
| INR 5Y Swap* | 5.48 | (2) | (11) | (17) | 20 | (90) |
| India FII data (US\$ mn) | | | | | | |
| | 24 Sep | 23 Sep | WTD | MTD | CYTD | FYTD |
| FII-Debt | (3.4) | 25.6 | 114.9 | 472.3 | (14,617.7) | (4,858.2) |
| FII-Equity | (225.3) | (527.3) | (1,032.7) | (220.8) | 4,586.5 | 11,189.5 |

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

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