

## MACRO DAILY

29 October 2020

### Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 81bn and stood at Rs 27tn for the week ending 23 Oct 2020. Reserve money rose by 12.2% on a YoY basis, compared with 15.3% a year ago. On FYTD basis, reserve money increased by 6.5% as against 3.8% a year ago.
- BoJ has kept its policy rates unchanged and reiterated its accommodative stance. However, in view of prevailing uncertainty around global recovery and resurgence in Covid-19 cases, it has lowered the growth forecast for FY20 to contraction of 5.5% from decline of 4.7% estimated earlier. Weakness in domestic economy also remains, as evident from muted retail sales growth (8.7% drop in Sep'20 versus 1.9% dip in Aug'20).
- CPI inflation in Australia rose by 1.6% in Q3CY20 on a QoQ basis, reversing a decline of 1.9% in Q2. The increase was led by child care services and higher fuel prices. Despite the increase, inflation remains well below RBA's target of 2%-3% and is expected to remain low. As a result, analysts expect RBA to cut rates to a record low of 0.1% in its next policy meeting in Nov'20.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

### Markets

- **Bonds:** Global yields closed mixed with US 10Y yield ending flat and UK, Germany and Japan yields closing lower. Resurgence in Covid-19 cases in US and Europe and re-imposition of lockdown restrictions in Europe hampered investor sentiments. Crude prices also fell by 5% (US\$ 39/bbl). India's 10Y yield rose by 1bps to 5.86% following global cues. It is trading flat today.
- **Currency:** Uptick in Covid-19 cases globally and re-imposition of lockdown measures in Europe led to an increased risk-off sentiment. As a result, safe-haven DXY and JPY gained by 0.5% and 0.1% respectively. Other global currencies closed lower. INR depreciated by 0.2%. It is trading further lower today in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp, other global indices ended lower on the back of re-imposition of lockdown in most of European countries and rising Covid-19 cases globally. Dax (4.2%) declined the most followed by Dow (3.4%) and FTSE (2.6%). Sensex (1.5%) too ended in red led by subdued global cues. 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
<b>10Y yields (Δ bps)</b>						
US	0.77	0	(5)	12	20	(100)
UK	0.21	(2)	(3)	2	10	(47)
Japan	0.03	(1)	(1)	1	0	13
Germany	(0.63)	(1)	(4)	(10)	(13)	(27)
India	5.86	1	(5)	(18)	2	(64)
China	3.18	1	0	5	22	(14)
<b>2Y yields (Δ bps)</b>						
US	0.15	0	0	2	2	(145)
UK	(0.06)	(1)	(1)	1	1	(58)
Japan	(0.12)	1	1	3	0	9
Germany	(0.79)	(2)	(2)	(8)	(11)	(16)
India	4.21	1	2	(24)	(1)	(130)
China	2.71	4	7	11	46	4
<b>Currencies (Δ %)</b>						
EUR	1.1746	(0.4)	(1.0)	1.0	(0.4)	5.3
GBP	1.2983	(0.5)	(1.3)	1.9	(0.1)	0.6
JPY	104.32	0.1	0.3	1.2	0.6	4.2
AUD	0.7045	(1.2)	(1.0)	0.2	(2.0)	2.1
INR	73.87	(0.2)	(0.4)	(0.4)	1.2	(4.2)
CNY	6.7290	(0.4)	(1.2)	1.4	3.9	4.6
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,520	(3.4)	(6.0)	(2.4)	(0.1)	(2.5)
FTSE	5,583	(2.6)	(3.4)	(4.4)	(8.9)	(23.8)
DAX	11,561	(4.2)	(7.9)	(7.3)	(9.8)	(10.5)
NIKKEI	23,419	(0.3)	(0.9)	0.9	4.6	2.5
Shanghai Comp	3,269	0.5	(1.7)	1.5	(0.8)	11.2
SENSEX	39,922	(1.5)	(1.9)	6.8	4.9	(0.3)
Brent (US\$/bbl)	39.12	(5.0)	(6.3)	(6.7)	(10.6)	(35.5)
Gold (US\$/oz)	1,877	(1.6)	(2.4)	0.8	(4.7)	25.5
CRB Index	410.9	(0.8)	(1.2)	1.8	9.0	5.1
Rogers Agri Index	789.3	(1.4)	(0.4)	6.1	13.8	8.1
LIBOR (3M)*	0.21	(1)	0	0	(5)	(170)
INR 5Y Swap*	5.21	(2)	(2)	(27)	0	(132)
<b>India FII data (US\$ mn)</b>						
	<b>27 Oct</b>	<b>26 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(139.2)	(6.3)	(145.6)	472.0	(14,207.8)	(4,448.3)
FII-Equity	486.7	15.0	501.7	2,814.7	6,854.7	13,457.7

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

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### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)