

MACRO DAILY

30 December 2020

Macro developments

- RBI's report on Trend and Progress of Banking stated that GNPA ratio of SCBs has declined to 7.5% as of Sep'20 from 8.2% as of Mar'20. This was led by lower slippages and resolution under IBC. However, it stated the asset quality may deteriorate due to uncertainty induced by Covid-19. CRAR ratio of SCBs has improved to 15.8% by end-Sep'20 (14.7% in Mar'20) with support from capital raising by both public and private sector banks, as well as recapitalisation of PSBs.
- Market borrowings by states in India have risen by 43% in FYTD21 (Apr-Dec) to Rs 5.3tn compared with 31% increase (Rs 3.7tn) in FYTD20. While state revenues were already under stress in FY20, the burden has gone up further in FY21 owing to Covid-19 pandemic. Maharashtra (Rs 395bn), Karnataka (Rs 259bn), T.N. (Rs 166bn) and Telangana (Rs 134bn) have borrowed the most.
- Industrial production in South Korea rose by 0.7% in Nov'20 (MoM) versus a 0.1% decline in Oct'20, supported by robust exports. Increase was registered in all sub-indices. However, domestic consumption remained weak as retail sales declined for the second straight month by 0.9% in Nov'20 versus a decline of 1% in Oct'20.

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Markets

- **Bonds:** Global yields closed mixed. UK 10Y yield fell the most by 4bps (0.21%) despite finalisation of Brexit trade deal. US 10Y yield rose by 1bps (0.94%) supported by announcement that US\$ 600/person payment have started. Crude prices rose by 0.5% (US\$ 51/bbl). India's 10Y yield closed flat (5.93%). It is trading lower at 5.92% today.
- **Currency:** Global currencies ended higher against the dollar. DXY declined by 0.4% as investors assessed the possibility of further US fiscal stimulus. AUD and GBP both rose by 0.4%. INR appreciated by 0.1%. It is trading further higher today, in line with other Asian currencies.
- **Equity:** Global indices ended mixed as investors continued to monitor the progress of US stimulus. Amongst other indices, while Nikkei ended higher (2.7%) and Shanghai Comp fell by 0.5%. Sensex on the other hand, rose by 0.5% led by banking stocks. It is trading lower today while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.94	1	2	10	29	(98)
UK	0.21	(4)	3	(7)	3	(61)
Japan	0.03	0	2	(1)	1	4
Germany	(0.57)	(1)	2	2	(3)	(39)
India	5.93	0	(2)	2	(11)	(63)
China	3.16	0	(7)	(16)	2	2
2Y yields (Δ bps)						
US	0.13	1	1	(3)	0	(144)
UK	(0.15)	(3)	(2)	(11)	(10)	(70)
Japan	(0.12)	0	1	2	1	2
Germany	(0.72)	(1)	2	4	(1)	(12)
India	3.90	2	1	(2)	(53)	(187)
China	2.56	(2)	(11)	(36)	(5)	28
Currencies (Δ %)						
EUR	1.2249	0.3	0.7	2.4	4.3	9.2
GBP	1.3503	0.4	1.1	1.4	5.0	1.9
JPY	103.58	0.2	0.1	0.5	2.0	4.6
AUD	0.7606	0.4	1.1	3.0	6.7	8.3
INR	73.44	0.1	0.6	0.8	0.6	(2.9)
CNY	6.5308	0.1	0.2	0.7	4.2	6.2
Equity & Other indices (Δ %)						
Dow	30,336	(0.2)	1.1	1.4	10.5	6.3
FTSE	6,603	1.5	2.3	3.7	12.0	(12.5)
DAX	13,761	(0.2)	2.6	3.2	7.3	3.9
NIKKEI	27,568	2.7	4.3	3.5	17.1	16.5
Shanghai Comp	3,379	(0.5)	0.7	(0.9)	4.8	10.8
SENSEX	47,613	0.5	3.5	7.8	25.4	15.4
Brent (US\$/bbl)	51.09	0.5	2.0	6.0	24.5	(22.6)
Gold (US\$/oz)	1,878	0.2	0.9	5.1	(1.0)	23.8
CRB Index	442.3	0.2	0.8	3.2	9.5	10.1
Rogers Agri Index	871.4	1.2	2.3	4.3	17.7	14.9
LIBOR (3M)*	0.24	(1)	0	1	2	(167)
INR 5Y Swap*	5.29	2	(3)	11	(15)	(143)
India FII data (US\$ mn)						
	28 Dec	24 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	14.7	195.2	14.7	659.7	(13,959.5)	(4,200.0)
FII-Equity	231.2	(68.4)	231.2	6,613.5	22,719.2	29,322.2

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

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