

MACRO DAILY

30 September 2020

Macro developments

- In an effort to provide liquidity to States, RBI has decided to continue with the increased WMA limit (of 60%) till Mar'21 from Sep'20 earlier. Further, the relaxation in Overdraft (OD) has also been extended till Mar'21. States finances are already impacted and borrowing in FYTD21 is 40% higher than last year at Rs 3.2tn.
- China's official manufacturing PMI rose to 51.5 in Sep'20 (est.: 51.2) from 51 in Aug'20. The activity was supported by resilient export demand, stimulus led infrastructure spending and holiday demand. Most notable rise was seen in production of food, alcohol, beverage and tea. Non-manufacturing PMI rose to 55.9 in Sep'20 from 55.2 in Aug'20. In particular, services index inched up to 55.2 from 54.3 in Aug'20.
- Japan's factory output rose for the 3rd straight month, albeit at a slower pace of 1.7% in Aug'20 (MoM) versus 8.7% increase in Jul'20. The rise was led by auto and auto products as global demand picked up. However, the trend is unlikely to sustain due to surging COVID-19 cases globally. Separately, retail sales fell for the 6th straight month in Aug'20 by 1.9% versus 2.8% in Jul'20 (YoY) as consumer spending still remains weak.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield closed stable at 0.65% supported by better consumer confidence print. UK 10Y yield fell by 2bps (0.18%) amidst Brexit woes. Crude prices fell by 3.3% (US\$ 41/bbl) over fear of rising COVID-19 cases globally (0.27mn daily increase) thus, India 10Y yield fell by 2bps (6.04%). It is trading at 6.03% today.
- Currency:** Global currencies closed mixed. DXY fell further by 0.4% ahead of the 1st US presidential debate. EUR rose by 0.7% on hopes of further stimulus as prices in Germany slid further into deflation. GBP also rose by 0.2% on hopes that UK and EU will agree on a trade deal. INR fell by 0.1%. It is however trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors shifted their focus towards the 1st US presidential debate and Brexit talk. Both Dow and FTSE fell by 0.5% followed by Dax (0.4%). Sensex ended flat and is trading lower today; while 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	0.65	0	(2)	(7)	(1)	(99)
UK	0.18	(2)	(2)	(13)	1	(29)
Japan	0.02	(1)	0	(4)	(1)	17
Germany	(0.55)	(2)	(4)	(14)	(9)	2
India	6.04	(2)	3	(11)	15	(63)
China	3.14	2	5	6	29	0
2Y yields (Δ bps)						
US	0.12	0	(1)	0	(3)	(142)
UK	(0.05)	0	0	0	3	(39)
Japan	(0.13)	1	1	(2)	0	15
Germany	(0.71)	(1)	0	(4)	(2)	6
India	4.43	(1)	0	(5)	22	(127)
China	2.61	2	3	10	51	6
Currencies (Δ %)						
EUR	1.1744	0.7	0.3	(1.3)	4.5	7.4
GBP	1.2863	0.2	1.0	(3.7)	3.7	4.6
JPY	105.66	(0.2)	(0.7)	(0.3)	2.1	1.9
AUD	0.7130	0.8	(0.6)	(3.2)	3.3	6.4
INR	73.86	(0.1)	(0.4)	(0.6)	2.2	(3.9)
CNY	6.8159	(0.1)	(0.5)	0.7	3.5	4.7
Equity & Other indices (Δ %)						
Dow	27,453	(0.5)	0.6	(4.2)	6.4	3.3
FTSE	5,898	(0.5)	1.2	(1.1)	(4.4)	(19.9)
DAX	12,826	(0.4)	1.8	(1.6)	4.2	4.6
NIKKEI	23,539	0.1	0.9	2.9	5.6	7.6
Shanghai Comp	3,224	0.2	(1.5)	(5.3)	8.0	11.0
SENSEX	37,973	0	0.6	(3.8)	8.8	(0.9)
Brent (US\$/bbl)	41.03	(3.3)	(1.7)	(8.9)	(0.3)	(30.3)
Gold (US\$/oz)	1,898	0.9	(0.1)	(3.4)	6.6	28.3
CRB Index	403.9	0	(0.7)	2.8	12.2	4.2
Rogers Agri Index	740.6	(0.2)	(1.2)	0.3	9.7	3.8
LIBOR (3M)*	0.22	0	0	(2)	(8)	(187)
INR 5Y Swap*	5.44	0	(8)	(28)	16	(94)
India FII data (US\$ mn)						
	28 Sep	25 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	40.9	71.0	226.8	584.1	(14,505.9)	(4,746.4)
FII-Equity	71.3	(437.4)	(1,398.9)	(587.0)	4,220.3	10,823.3

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

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