

MACRO DAILY

04 December 2020

Macro developments

- Services activity in India continued to expand as PMI reading was at 53.7 in Nov'20 from 54.1 in Oct'20. This was led by new business inflows which rose for the second straight month driven by domestic demand. Both employment and input cost picked up. Business activity for the 12-month ahead also brightened considerably.
- Services activity globally remained muted. In the Eurozone, the print was lower at 41.7 in Nov'20 from 46.9 in Oct'20. In UK, it dropped to 47.6 from 51.4. While in Japan, it was at 47.8 versus 47.7 in Oct'20, well below the 50-mark. In all the economies, new business inflows recorded decline. Employment scenario worsened and price pressure moderated owing to lockdown restrictions from rising Covid-19 cases.
- Initial jobless claims in the US dropped to 712,000 for the week ending 28 Nov 2020 from 787,000 in the previous week. The more than estimated (715,000) decline was on account of holiday season hiring. However, labour market still remains fragile without additional fiscal support, as pointed out by Fed Chair Powell. Separately, US ISM services index also showed that activity slowed in Nov'20 to 55.9 from 56.6 in Oct'20.

Jahnavi | Sameer Narang
chief.economist@bankofbaroda.com

Markets

- Bonds:** Barring India and Japan, other global yields closed lower amidst concerns over Covid-19 vaccine. US 10Y yield fell by 3bps as US ISM services dropped to 6-month low in Nov'20. UK 10Y yield too dropped, led by uncertainty over Brexit. Crude prices rose by 1% (US\$ 48.2/bbl) as OPEC+ agreed on easing output cuts from Jan'21. India's 10Y yield rose by 1bps (5.93%) and is trading at 5.92% following RBI's policy announcement.
- Currency:** Except INR, global currencies closed higher against the dollar. DXY fell by 0.4% on hopes of US stimulus. GBP and JPY gained the most (0.6%). INR slipped by 0.2% as oil prices continued to rise. It is trading higher today in line with other Asian currencies.
- Equity:** Global indices closed mixed as uncertainty over Brexit and concerns over availability of Covid-19 vaccine, impacted investor sentiments. Amongst other indices, FTSE rose by 0.4%, while Dax fell by 0.5%. Sensex ended flat. However, it is trading higher today in line 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 | 0.91 | (3) | 2 | 6 | 27 | (90) |
| UK | 0.32 | (3) | 4 | 10 | 9 | (45) |
| Japan | 0.03 | 0 | 0 | (2) | (1) | 5 |
| Germany | (0.56) | (4) | 3 | 8 | (7) | (26) |
| India | 5.93 | 1 | 6 | 4 | 3 | (68) |
| China | 3.30 | (1) | 0 | 12 | 18 | 11 |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.15 | (1) | (1) | (1) | 2 | (144) |
| UK | (0.05) | (2) | (1) | 3 | 5 | (63) |
| Japan | (0.11) | 1 | 3 | 0 | 0 | 4 |
| Germany | (0.74) | (2) | 2 | 7 | (3) | (11) |
| India | 3.95 | 3 | 5 | (24) | (40) | (165) |
| China | 2.89 | 1 | (5) | 14 | 31 | 28 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.2144 | 0.2 | 1.9 | 4.3 | 2.5 | 9.4 |
| GBP | 1.3450 | 0.6 | 0.7 | 4.1 | 1.3 | 2.2 |
| JPY | 103.84 | 0.6 | 0.4 | 0.8 | 2.2 | 4.5 |
| AUD | 0.7439 | 0.3 | 1.0 | 5.4 | 2.3 | 8.9 |
| INR | 73.93 | (0.2) | 0 | 0.7 | (0.6) | (3.7) |
| CNY | 6.5429 | 0.3 | 0.5 | 2.2 | 4.5 | 7.1 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 29,970 | 0.3 | 0.3 | 11.3 | 5.9 | 8.3 |
| FTSE | 6,490 | 0.4 | 2.0 | 14.8 | 10.9 | (9.1) |
| DAX | 13,253 | (0.5) | (0.3) | 12.4 | 1.5 | 1.5 |
| NIKKEI | 26,809 | 0 | 1.0 | 15.1 | 14.3 | 15.1 |
| Shanghai Comp | 3,442 | (0.2) | 2.1 | 6.7 | 1.7 | 18.7 |
| SENSEX | 44,633 | 0 | 0.8 | 12.3 | 14.5 | 9.4 |
| Brent (US\$/bbl) | 48.71 | 1.0 | 1.9 | 25.0 | 10.5 | (23.2) |
| Gold (US\$/oz) | 1,841 | 0.5 | 1.4 | (2.9) | (4.7) | 24.7 |
| CRB Index | 427.3 | 0.1 | 0 | 4.4 | 8.2 | 10.4 |
| Rogers Agri Index | 823.2 | 0.4 | (0.3) | 5.3 | 11.9 | 13.7 |
| LIBOR (3M)* | 0.23 | 0 | 1 | 1 | (2) | (165) |
| INR 5Y Swap* | 5.21 | 2 | 0 | 4 | (29) | (118) |
| India FII data (US\$ mn) | | | | | | |
| | 1 Dec | 27 Nov | WTD | MTD | CYTD | FYTD |
| FII-Debt | (46.0) | (63.0) | (109.0) | (109.0) | (14,728.2) | (4,968.7) |
| FII-Equity | 22.2 | 481.3 | 503.5 | 503.5 | 16,609.2 | 23,212.2 |

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

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com