

MACRO DAILY

04 November 2020

Macro developments

- India's exports fell by 5.4% in Oct'20 from an increase of 6% in Sep'20 as per preliminary data. While oil exports declined by 53.3%, non-oil exports too decelerated to 1.8% versus an increase of 6.1% in Sep'20. Imports showed a steady recovery and contracted by only 11.6% versus a dip of 19.6% led by higher gold and non-oil-non-gold imports. As a result, trade deficit rose to a 7-month high of US\$ 8.8bn from US\$ 2.7bn in Sep'20.
- Australia's retail sales fell by 1.1% in Sep'20 on a MoM basis, from a 4% fall in Aug'20. The decline was led by household goods retailing (3.6% decline) and food retailing (1.5% decline). However, sales volumes in cafes and restaurants and retail stores improved by 3.5% and 1% respectively. On a QoQ basis, retail sales rose by 6.5% in Q3CY20 from a decline of 3.5% in Q2. This raises hope of a stronger rebound in economic activity in Q3.
- China's services PMI expanded for the 6th straight month and rose to 56.8 in Oct'20 from 54.8 in Sep'20. This was largely led by strong domestic demand and pick-up in hiring activity, signalling recovery in labour market. However, export demand continued to remain in contraction amidst resurgence in Covid-19 cases globally.

Jahnvi | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Barring China and Japan (flat), other global yields closed higher. US 10Y climbed up by 6bps in the run up to the US presidential elections. This was followed by UK (5bps) and Germany (2bps). Crude prices rose by 1.9% (US\$ 39.7/bbl) as Russia is expected to extend output cuts till Mar'21. India's 10Y yield rose by 1bps to 5.9% led by global cues. It is trading at 5.88% today.
- Currency:** Global currencies closed higher against the dollar. DXY fell sharply by 0.6% ahead of the US elections result. AUD and GBP rose the most by 1.5% and 1.1% respectively. INR closed flat. However, it is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended higher ahead of the US elections result. Amongst other indices, Dax (2.6%) gained the most followed by FTSE (2.3%) and Dow (2.1%). Sensex (1.3%) too ended in green led by advancement in banking and metal stocks. 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 | 0.90 | 6 | 13 | 20 | 39 | (96) |
| UK | 0.27 | 5 | 4 | 3 | 20 | (50) |
| Japan | 0.05 | 0 | 1 | 2 | 3 | 17 |
| Germany | (0.62) | 2 | (1) | (8) | (7) | (31) |
| India | 5.90 | 1 | 5 | (10) | 12 | (62) |
| China | 3.18 | 0 | 1 | 3 | 24 | (7) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.17 | 1 | 2 | 4 | 6 | (146) |
| UK | (0.04) | 3 | 1 | (1) | 3 | (63) |
| Japan | (0.11) | 0 | 2 | 2 | 1 | 12 |
| Germany | (0.79) | 1 | (2) | (9) | (9) | (16) |
| India | 4.18 | (1) | (1) | (19) | (1) | (135) |
| China | 2.72 | (3) | 5 | 12 | 51 | 7 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1715 | 0.6 | (0.7) | 0 | (0.7) | 5.8 |
| GBP | 1.3059 | 1.1 | 0.1 | 1.0 | (0.1) | 1.4 |
| JPY | 104.49 | 0.2 | (0.1) | 0.8 | 1.2 | 4.3 |
| AUD | 0.7164 | 1.5 | 0.5 | 0 | 0.1 | 3.9 |
| INR | 74.41 | 0 | (0.9) | (1.7) | 0.9 | (5.3) |
| CNY | 6.6776 | 0.2 | 0.4 | 1.7 | 4.2 | 4.7 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,480 | 2.1 | 0.1 | (0.7) | 2.4 | 0 |
| FTSE | 5,787 | 2.3 | 1.0 | (2.0) | (4.1) | (21.7) |
| DAX | 12,089 | 2.6 | 0.2 | (4.7) | (4.1) | (8.1) |
| NIKKEI | 23,295 | 1.4 | (0.8) | 1.2 | 3.2 | 0.2 |
| Shanghai Comp | 3,271 | 1.4 | 0.5 | 1.6 | (3.0) | 9.3 |
| SENSEX | 40,261 | 1.3 | (0.6) | 4.0 | 6.8 | 0.0 |
| Brent (US\$/bbl) | 39.71 | 1.9 | (3.6) | 1.1 | (10.6) | (36.9) |
| Gold (US\$/oz) | 1,909 | 0.7 | 0.1 | 0.5 | (5.4) | 28.7 |
| CRB Index | 411.3 | 0.5 | (0.7) | 1.9 | 9.6 | 5.3 |
| Rogers Agri Index | 788.3 | 0.8 | (1.5) | 4.9 | 13.3 | 7.8 |
| LIBOR (3M)* | 0.22 | 0 | 1 | (1) | (3) | (167) |
| INR 5Y Swap* | 5.22 | 5 | (1) | (20) | 7 | (133) |
| India FII data (US\$ mn) | | | | | | |
| | 2 Nov | 29 Oct | WTD | MTD | CYTD | FYTD |
| FII-Debt | (47.8) | 64.9 | (47.8) | (47.8) | (14,277.5) | (4,518.0) |
| FII-Equity | 115.2 | (190.1) | 115.2 | 115.2 | 6,661.7 | 13,264.6 |

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com