

MACRO DAILY

05 November 2020

Macro developments

- India's services PMI expanded for the first time in over eight months to 54.1 in Oct'20 from 49.8 in Sep'20. This was led by improvement in new orders on the back of strong domestic demand. However, exports continued to pose challenge led by Covid-19 restrictions. Overall composite PMI too inched up to 58 in Oct'20 from 54.6 in Sep'20 led by revival in both manufacturing and services sector.
- RBI reported that currency in circulation (CIC) increased by Rs 6.6bn and stood at Rs 27tn for the week ending 30 Oct 2020. Reserve money rose by 13.1% on a YoY basis, compared with 13.5% a year ago. On FYTD basis, reserve money increased by 7.1% as against 3.5% a year ago.
- US ISM non-manufacturing index slipped to 56.6 in Oct'20 from 57.8 in Sep'20 amidst rising Covid-19 cases and fading fiscal stimulus. New orders in the services sector fell to 58.8 from 61.5 in Sep'20. The sub-index for employment also eased. Separately, US trade deficit narrowed to US\$ 63.9bn in Sep'20 from US\$ 67.1 bn, as exports (3.1%) grew at a faster pace than imports (0.3%).

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Markets

- Bonds:** Global yields closed lower as investors await the outcome of US presidential elections. US 10Y fell the most by 14bps. Deceleration in services activity and less than anticipated private payroll additions also impacted investor sentiment. Crude prices rose by 3.8% (US\$ 41.2/bbl) due to drawdown in US inventories. India's 10Y yield fell by 1bps to 5.89% in line with US 10Y. It is trading at 5.87% today.
- Currency:** Except INR and GBP, other global currencies closed higher. DXY fell further by 0.2% as the outcome of US election results continues to remain uncertain. INR depreciated by 0.5% to a more than 2-month low amidst rising oil prices. However INR is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended higher as investors await US elections result. Amongst other indices, Dax (1.9%) gained the most followed by FTSE (1.7%). Sensex (0.9%) too ended in green driven by rally in consumer durables and tech 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	0.76	(14)	(1)	6	22	(107)
UK	0.21	(7)	(1)	(4)	8	(51)
Japan	0.04	(1)	1	2	3	12
Germany	(0.64)	(2)	(1)	(10)	(13)	(31)
India	5.89	(1)	3	(11)	12	(61)
China	3.18	(1)	(1)	3	20	(8)
2Y yields (Δ bps)						
US	0.14	(2)	0	2	3	(146)
UK	(0.07)	(3)	(1)	(4)	(2)	(61)
Japan	(0.11)	0	1	1	1	7
Germany	(0.79)	0	0	(8)	(10)	(16)
India	4.17	(1)	(4)	(19)	(2)	(134)
China	2.70	(2)	(1)	10	50	5
Currencies (Δ %)						
EUR	1.1726	0.1	(0.2)	0.1	(1.2)	6.0
GBP	1.2988	(0.5)	0	0.4	(1.0)	1.0
JPY	104.52	0	(0.2)	0.7	1.0	4.1
AUD	0.7182	0.3	1.9	0.3	(0.1)	4.3
INR	74.76	(0.5)	(1.2)	(2.2)	0.2	(5.3)
CNY	6.6524	0.4	1.1	2.0	4.1	4.9
Equity & Other indices (Δ %)						
Dow	27,848	1.3	5.0	0.6	2.4	1.3
FTSE	5,883	1.7	5.4	(0.3)	(3.6)	(20.5)
DAX	12,324	1.9	6.6	(2.9)	(2.7)	(6.5)
NIKKEI	23,695	1.4	1.2	2.9	5.2	1.7
Shanghai Comp	3,277	0.2	0.3	1.8	(3.0)	10.0
SENSEX	40,616	0.9	1.7	5.0	7.8	0.4
Brent (US\$/bbl)	41.20	3.8	5.4	5.0	(8.7)	(33.2)
Gold (US\$/oz)	1,903	(0.3)	1.4	0.2	(6.6)	27.7
CRB Index	413.0	0.4	0.5	2.3	9.4	6.2
Rogers Agri Index	792.4	0.5	0.4	5.5	13.7	8.7
LIBOR (3M)*	0.20	1	1	(1)	(2)	(168)
INR 5Y Swap*	5.10	(8)	(7)	(28)	(2)	(141)
India FII data (US\$ mn)						
	3 Nov	2 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	212.1	(47.8)	164.3	164.3	(14,065.5)	(4,306.0)
FII-Equity	207.6	115.2	322.8	322.8	6,869.3	13,472.2

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

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