

MACRO DAILY

06 November 2020

Macro developments

- RBI announced the new Co-Lending Model (CML) to improve credit flow to the underserved section of the economy at an affordable cost. Under this, banks can provide loans or co-lend along with registered NBFCs to the priority sector borrowers based upon a prior agreement. NBFCs will be required to retain a minimum of 20% share of the loans on their books.
- US Fed maintained status quo by keeping rates steady and making no changes to its asset purchase programme. It added that the ongoing pandemic continues to pose a considerable risk to the economic outlook over the medium term. Separately, BoE kept rates on hold and expanded its quantitative easing programme (£ 895bn). It has revised its growth projection for CY20 downwards from 5.4% dip estimated earlier to a contraction of 11%.
- European Commission (EC) expects GDP in the Euro Area to contract by 7.8% in CY20 versus a dip of 8.7% estimated in Jun'20. Growth will recover to 4.2% in CY21, lower than 6.1% estimated earlier due to a resurgence in Covid-19 cases and resultant lockdowns. Unemployment rate will remain elevated at 8.3% in CY20 and 9.4% in CY21. Inflation is set to rise from 0.3% in CY20 to 1.1% in CY21, much below ECB's target.

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Markets

- **Bonds:** Global yields closed mixed amidst uncertainty over US election results. US 10Y closed unchanged at 0.76% as Fed kept rates on hold. UK 10Y yield rose by 3bps as BoE stepped up its bond purchases by more than expected. Crude prices fell by 0.7% (US\$ 40.9/bbl). India's 10Y yield fell by 3bps to 5.86% as RBI announced special OMOs of Rs 100bn in line with market expectations. It is trading at 5.84% today.
- **Currency:** Global currencies closed higher against the dollar. DXY fell steeply by 0.9% amidst fading hopes of a large US fiscal stimulus. GBP rose by 1.2% after BoE policy meet. INR also rose by 0.5% on the back of lower oil prices. It is trading further higher today in line with its Asian peers
- **Equity:** Global indices ended higher amidst uncertainty over US election result and rate decisions by Fed and BoE. Amongst other indices, Dax (2%) gained the most followed by Dow (1.9%). Sensex (1.8%) too ended higher led by global cues. It is trading higher 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	0.76	0	(6)	(2)	23	(115)
UK	0.23	3	1	(5)	13	(56)
Japan	0.02	(2)	(1)	(1)	0	9
Germany	(0.64)	0	0	(13)	(11)	(40)
India	5.86	(3)	(2)	(14)	5	(65)
China	3.19	2	1	4	21	(8)
2Y yields (Δ bps)						
US	0.14	0	0	0	3	(152)
UK	(0.05)	3	1	(3)	(1)	(59)
Japan	(0.13)	(1)	(1)	0	(2)	5
Germany	(0.78)	1	3	(8)	(9)	(17)
India	4.13	(5)	(7)	(23)	(8)	(138)
China	2.73	2	1	12	48	8
Currencies (Δ %)						
EUR	1.1826	0.9	1.3	0.4	(0.4)	7.0
GBP	1.3148	1.2	1.7	1.3	0	2.6
JPY	103.49	1.0	1.1	2.1	2.0	5.3
AUD	0.7283	1.4	3.6	1.4	0.6	5.6
INR	74.39	0.5	(0.4)	(1.5)	0.7	(4.8)
CNY	6.6065	0.7	1.6	2.7	5.0	5.3
Equity & Other indices (Δ %)						
Dow	28,390	1.9	6.5	0.9	3.7	2.6
FTSE	5,906	0.4	5.8	(0.6)	(2.0)	(20.3)
DAX	12,568	2.0	8.4	(2.0)	(0.2)	(5.4)
NIKKEI	24,105	1.7	3.3	3.4	7.5	3.3
Shanghai Comp	3,320	1.3	1.4	3.2	(2.0)	11.5
SENSEX	41,340	1.8	4.0	6.1	8.7	1.7
Brent (US\$/bbl)	40.93	(0.7)	8.7	(0.9)	(9.2)	(34.3)
Gold (US\$/oz)	1,950	2.5	4.4	1.9	(5.5)	32.8
CRB Index	415.0	0.5	1.1	2.5	9.3	6.1
Rogers Agri Index	801.5	1.1	2.3	6.1	14.9	9.9
LIBOR (3M)*	0.23	1	2	1	(1)	(167)
INR 5Y Swap*	5.09	(5)	(10)	(31)	(13)	(145)
India FII data (US\$ mn)						
	4 Nov	3 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(144.2)	212.1	20.1	20.1	(14,209.6)	(4,450.1)
FII-Equity	22.4	207.6	345.2	345.2	6,891.7	13,494.6

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

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