

MACRO DAILY

06 October 2020

Macro developments

- Government of India has appointed 3 external members to the Monetary Policy Committee of RBI. These members will have a 4-year term and will not be eligible for re-appointment, as per the RBI act. The new members are Prof Ashima Goyal from IGIDR, Prof Jayanth R Varma from IIM Ahmedabad and Dr Shashanka Bhide from NCAER. RBI had postponed its last policy meet as the appointment of external members was delayed.
- In the recent GST council meeting, deadlock on compensation cess remained unresolved. While 19 states have agreed for borrowing Rs 1.1tn from the RBI, the remaining 10 states have proposed that the Centre should borrow to meet the compensation cess gap, as it can borrow at lower rates. It was agreed that the decision will be taken in the next GST Council meet on 12 Oct 2020
- Services sector activity globally remained weak in Sep'20. Services PMI in Euro Zone and UK edged down to 50.4 (versus 51.9) and 56.1 (versus 58.8) as new restrictions were imposed to curb the spread of COVID-19. However, separate data showed that US ISM services index rose close to the pre-pandemic level at 57.8 in Sep'20 versus 57.3 in Aug'20. The rise was led by new orders and a rebound in employment.

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Markets

- Bonds:** Global yields closed higher with US 10Y yield rising by 8bps (0.78%) on hopes that fiscal stimulus in the US will be approved before the presidential elections. Thus, crude prices also jumped by 5.1% (US\$ 41/bbl). India's 10Y yield rose a tad (1bps) to 6%, as investors await the date for RBI's next policy meeting. It is trading at 6.02% today.
- Currency:** Except INR and JPY, other currencies closed higher against the dollar. DXY fell by 0.4% as risk sentiment improved on hopes of additional US fiscal stimulus. EUR and GBP gained even as services PMI decelerated in Sep'20. INR depreciated by 0.2%. However it is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended higher led by optimism over US stimulus and improvement in US President's health. Dow (1.7%) gained the most followed by Nikkei (1.2%). Sensex (0.7%) too ended in green led by 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	0.78	8	13	6	11	(78)
UK	0.29	4	9	3	9	(16)
Japan	0.03	1	0	(1)	(1)	25
Germany	(0.51)	3	2	(4)	(8)	6
India	6.00	1	(5)	7	17	(67)
China	3.15	1	3	2	12	1
2Y yields (Δ bps)						
US	0.14	2	2	0	(1)	(132)
UK	(0.02)	2	3	6	5	(37)
Japan	(0.13)	0	1	(1)	0	21
Germany	(0.70)	1	0	0	(2)	7
India	4.36	(1)	(9)	2	21	(130)
China ⁶	2.60	(1)	1	0	51	5
Currencies (Δ %)						
EUR	1.1783	0.6	1.0	(0.5)	4.2	7.4
GBP	1.2979	0.3	1.1	(2.3)	3.9	5.6
JPY	105.75	(0.4)	(0.2)	0.5	1.5	1.4
AUD	0.7181	0.3	1.6	(1.4)	3.0	6.7
INR	73.29	(0.2)	0.7	(0.2)	1.9	(3.2)
CNY	6.7908	0.4	0.3	0.8	3.2	5.0
Equity & Other indices (Δ %)						
Dow	28,149	1.7	2.0	0.1	7.1	6.3
FTSE	5,943	0.7	0.3	2.5	(5.5)	(17.4)
DAX	12,828	1.1	(0.3)	(0.1)	0.7	6.0
NIKKEI	23,312	1.2	(0.8)	0.5	2.6	9.1
Shanghai Comp	3,218	(0.2)	0.0	(4.1)	(3.4)	10.8
SENSEX	38,974	0.7	2.6	1.6	6.8	3.8
Brent (US\$/bbl)	41.29	5.1	(2.7)	(3.2)	(4.2)	(29.2)
Gold (US\$/oz)	1,914	0.7	1.7	(1.1)	7.2	28.1
CRB Index	405.1	0.4	0.3	1.6	12.0	5.2
Rogers Agri Index	755.4	0.5	1.7	2.6	10.2	6.3
LIBOR (3M)*	0.23	0	1	(1)	(4)	(178)
INR 5Y Swap*	5.40	(2)	(4)	(14)	8	(89)
India FII data (US\$ mn)						
	1 Oct	30 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(242.8)	(159.2)	(375.8)	(242.8)	(14,922.6)	(5,163.1)
FII-Equity	253.7	(35.9)	144.7	253.7	4,293.8	10,896.8

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | ^1Y yield | Note: Markets in China were closed on 3 Oct 2020

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