

## MACRO DAILY

07 October 2020

### Macro developments

- India's services PMI improved substantially to 49.8 in Sep'20 from 41.8 in Aug'20. The jump was driven by loosening of lockdown restrictions and re-opening of business units in most states. New business orders fell at the slowest pace since Mar'20, supported by new export orders. Business outlook for the year ahead turned positive for the first time since Apr'20.
- Factory orders in Germany rose strongly by 4.5% in Aug'20 on a MoM basis versus 3.3% in Jul'20 and estimate of a 2.9% increase. This was led by 14.6% increase in new orders from rest of Euro Zone. Domestic orders rose by 1.7%. Sector wise, while orders for capital goods rose by 4.7%, orders for intermediate goods were also up by 4.5%.
- Reserve Bank of Australia kept its official cash rate (0.25%) and target yield for the 3-year government bonds unchanged. This was largely led by recovery cycle that is underway. However, the Governor pointed out that both unemployment and under-employment are expected to remain high for extended period. It was also hinted that low rate and stimulus measures will continue 'as long as is required' to support the economy.

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### Markets

- Bonds:** Except US, other global yields closed higher. US 10Y yield fell by 5bps as President Trump called of stimulus negotiations and Fed chair Powell reiterated that economic recovery remains at risk without additional stimulus. Crude prices rose by 3.3% (US\$ 43/bbl). India's 10Y yield rose by 2bps to 6.03% ahead of RBI's policy meeting. It is trading at 6.01% today.
- Currency:** Global currencies closed broadly lower as hopes of US fiscal stimulus were dashed. JPY rose by 0.1% on safe-haven demand. DXY fell by 0.4% as Fed Chair cautioned of risks to economic recovery. INR depreciated by 0.2%. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Dow, other global indices ended higher. Dow fell by 1.3% as US stimulus negotiations were postponed until after elections. However, Dax gained by 0.3% as Germany's factory orders improved. Sensex (1.5%) too ended in green led by massive gains in real estate and banking stocks. It is trading higher today; while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars                             | Current      | 1D           | 1W         | 1M         | 3M          | 12M         |
|---|--------------|--------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |              |              |            |            |             |             |
| US                                      | 0.74         | (5)          | 9          | 2          | 10          | (79)        |
| UK                                      | 0.29         | 0            | 10         | 2          | 11          | (13)        |
| Japan                                   | 0.04         | 1            | 2          | 0          | (1)         | 24          |
| Germany                                 | (0.51)       | 0            | 4          | (4)        | (8)         | 9           |
| India                                   | 6.03         | 2            | (1)        | 9          | 23          | (65)        |
| China                                   | 3.15         | 1            | 1          | 2          | 11          | 1           |
| <b>2Y yields (Δ bps)</b>                |              |              |            |            |             |             |
| US                                      | 0.15         | 0            | 2          | 0          | (1)         | (127)       |
| UK                                      | (0.02)       | 0            | 3          | 6          | 5           | (34)        |
| Japan                                   | (0.12)       | 1            | 1          | 0          | 0           | 20          |
| Germany                                 | (0.69)       | 1            | 2          | 1          | (2)         | 9           |
| India                                   | 4.39         | 3            | (4)        | 5          | 28          | (127)       |
| China <sup>6</sup>                      | 2.60         | (1)          | (1)        | 0          | 51          | 5           |
| <b>Currencies (Δ %)</b>                 |              |              |            |            |             |             |
| EUR                                     | 1.1734       | (0.4)        | (0.1)      | (0.9)      | 4.1         | 7.1         |
| GBP                                     | 1.2881       | (0.8)        | 0.1        | (3.0)      | 2.7         | 5.4         |
| JPY                                     | 105.63       | 0.1          | 0          | 0.6        | 1.8         | 1.4         |
| AUD                                     | 0.7102       | (1.1)        | (0.4)      | (2.5)      | 2.2         | 5.6         |
| INR                                     | 73.46        | (0.2)        | 0.5        | (0.4)      | 2.0         | (3.4)       |
| CNY                                     | 6.7908       | 0.4          | 0.4        | 0.8        | 3.2         | 5.0         |
| <b>Equity &amp; Other indices (Δ %)</b> |              |              |            |            |             |             |
| Dow                                     | 27,773       | (1.3)        | 1.2        | (1.3)      | 7.3         | 6.1         |
| FTSE                                    | 5,950        | 0.1          | 0.9        | 2.6        | (3.9)       | (16.7)      |
| DAX                                     | 12,906       | 0.6          | 0.6        | 0.5        | 2.3         | 7.8         |
| NIKKEI                                  | 23,434       | 0.5          | (0.4)      | 1.0        | 3.6         | 8.6         |
| Shanghai Comp                           | 3,218        | (0.2)        | (0.2)      | (4.1)      | (3.8)       | 10.5        |
| SENSEX                                  | 39,575       | 1.5          | 4.2        | 3.2        | 7.9         | 5.4         |
| Brent (US\$/bbl)                        | 42.65        | 3.3          | 3.9        | 0          | (1.0)       | (26.8)      |
| Gold (US\$/oz)                          | 1,878        | (1.8)        | (1.0)      | (2.9)      | 4.6         | 24.8        |
| CRB Index                               | 405.1        | 0.4          | 0.3        | 1.6        | 11.7        | 5.0         |
| Rogers Agri Index                       | 762.9        | 1.0          | 3.0        | 3.6        | 11.2        | 6.6         |
| LIBOR (3M)*                             | 0.22         | (1)          | 0          | (3)        | (5)         | (179)       |
| INR 5Y Swap*                            | 5.38         | (2)          | (6)        | (16)       | 6           | (91)        |
| <b>India FII data (US\$ mn)</b>         |              |              |            |            |             |             |
|   | <b>5 Oct</b> | <b>1 Oct</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (54.3)       | (242.8)      | (54.3)     | (297.1)    | (14,976.9)  | (5,217.4)   |
| FII-Equity                              | 46.5         | 253.7        | 46.5       | 300.3      | 4,340.4     | 10,943.3    |

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | ^1Y yield | Note: Markets in China are closed since 30 Sep 2020

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