

## MACRO DAILY

08 October 2020

### Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 29bn and stood at Rs 26.8tn for the week ending 2 Oct 2020. Reserve money rose by 13.5% on a YoY basis, compared with 14.3% a year ago. On a FYTD basis, reserve money increased by 6.1% as against 2.3% last year.
- Germany's industrial production contracted by 0.2% in Aug'20 on a MoM basis, (est.: 1.7% increase) and increase of 1.4% in Jul'20. This was led by a sharp decline of 12.5% in auto production versus 8.9% increase in Jul'20. Production of capital goods and consumer goods was also down by 3.6% and 1.3% respectively in Aug'20. Industrial output in Aug'20 is estimated to be 10.8% lower compared to pre-pandemic levels.
- US FOMC minutes reinforced that while economy recovery was on track for now, it could be dented if additional fiscal stimulus is not announced in time. In addition the members also suggested that in the upcoming meetings, future course of Fed's asset management program should also be reassessed. It also reaffirmed that the current policy will be maintained till inflation and maximum employment targets are reached (~CY23/24).

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### Markets

- **Bonds:** Except India, other global yields closed higher. US 10Y yield rose by 5bps after President Trump agreed that stimulus support was needed for airlines, small businesses and individuals. Crude prices fell by 1.5% (US\$ 42/bbl) on demand concerns. India's 10Y yield rose eased a tad (1bps) to 6.01% awaiting RBI's policy decision. It is trading flat today.
- **Currency:** Apart from JPY, other global currencies closed higher against the dollar. DXY fell by 0.1% amidst an improvement in risk-sentiment on hopes of some new fiscal stimulus in US. GBP rose by 0.3% as Brexit negotiations continued. INR rose by 0.2%. It is trading further higher today in line with other Asian currencies.
- **Equity:** Barring FTSE and Nikkei (flat), other global indices ended higher on hopes of partial stimulus package in US. Dow (1.9%) surged the most. This was followed by Sensex (0.8%), as it extended its gain for 5th straight session. Consumer durables and auto stocks advanced the most. 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
<b>10Y yields (Δ bps)</b>						
US	0.79	5	10	7	12	(80)
UK	0.30	2	7	4	12	(16)
Japan	0.04	0	3	0	1	24
Germany	(0.49)	1	3	(2)	(5)	6
India	6.01	(1)	0	8	24	(44)
China	3.15	1	6	2	8	1
<b>2Y yields (Δ bps)</b>						
US	0.15	0	2	1	(1)	(132)
UK	(0.01)	1	1	6	6	(38)
Japan	(0.12)	0	1	0	1	19
Germany	(0.69)	0	1	1	(2)	6
India	4.35	(4)	(8)	1	23	(129)
China <sup>^</sup>	2.60	(1)	1	0	49	5
<b>Currencies (Δ %)</b>						
EUR	1.1763	0.2	0.4	(0.6)	3.8	7.2
GBP	1.2919	0.3	0	(2.7)	2.5	5.8
JPY	105.98	(0.3)	(0.5)	0.2	1.2	1.4
AUD	0.7139	0.5	(0.3)	(2.0)	2.2	6.2
INR	73.33	0.2	0.6	(0.3)	2.3	(3.2)
CNY	6.7908	0.4	0.3	0.8	3.0	5.0
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,303	1.9	1.9	0.6	8.6	7.4
FTSE	5,946	(0.1)	1.4	2.5	(3.4)	(17.0)
DAX	12,929	0.2	1.3	0.7	3.5	6.9
NIKKEI	23,423	0	1.0	0.9	4.4	9.2
Shanghai Comp	3,218	(0.2)	(1.9)	(4.1)	(5.4)	10.0
SENSEX	39,879	0.8	4.8	4.0	9.8	4.5
Brent (US\$/bbl)	41.99	(1.5)	2.5	(1.6)	(3.0)	(28.0)
Gold (US\$/oz)	1,887	0.5	0.1	(2.4)	4.3	25.4
CRB Index	405.4	0.1	(0.1)	1.7	11.7	4.7
Rogers Agri Index	768.1	0.7	1.6	4.3	11.1	7.1
LIBOR (3M)*	0.23	1	0	(2)	(4)	(175)
INR 5Y Swap*	5.36	(2)	(9)	(19)	6	(91)
<b>India FII data (US\$ mn)</b>						
	<b>6 Oct</b>	<b>5 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(39.2)	(54.3)	(93.5)	(336.3)	(15,016.1)	(5,256.6)
FII-Equity	144.7	46.5	191.2	445.0	4,485.0	11,088.0

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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