

MACRO DAILY

09 October 2020

Macro developments

- World Bank has slashed India's growth forecast for FY21, estimating a contraction of 9.6% versus 4.5% decline estimated in Jun'20. The sharp cut was attributed to strict lockdown restrictions and slump in incomes of small households and businesses. Growth is expected at 5.4% in FY22, only if lockdown restrictions are fully lifted.
- Germany's export growth moderated to 2.4% in Aug'20 from 4.7% in Jul'20 on a MoM basis. Imports however, accelerated more than expected by 5.8% in Aug'20 versus 1.1%. Trade surplus narrowed to € 15.7bn from € 18bn in Jul'20. Economists expect better growth in Q3CY20 as the economy recovers from COVID-19 shock. IFO expects GDP growth to improve to 6.6% in Q3CY20 before moderating to 2.8% in Q4.
- China Caixin/Markit services PMI rose to 54.8 in Sep'20 from 54 in Aug'20. The growth was mainly driven by domestic demand, while new export orders contracted further in Sep'20. Employment index improved for the 2nd consecutive month now. Pent-up demand and removal of lockdown restrictions are the key drivers for this trend.

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Markets

- Bonds:** Global yields closed mixed with US 10Y yield unchanged at 0.79%. Growing uncertainty around US fiscal stimulus impacted investor sentiments. Crude prices rose by 3.2% (US\$ 43/bbl) as hurricane in the Gulf of Mexico has stalled ~80% of the region's oil output. India's 10Y yield ended flat at 6.02%.
- Currency:** Apart from JPY and EUR (flat), other global currencies closed higher against the dollar. DXY also closed unchanged awaiting clarity on US fiscal stimulus. GBP rose by 0.1% on hopes that the UK would secure a trade deal with the EU. INR appreciated by 0.1%. Asian currencies are trading higher today.
- Equity:** Global indices closed higher as investors continued to monitor news of US stimulus. Amongst other indices, Nikkei (1%) surged the most followed by Dax (0.9%). Sensex was up by 0.8% and reclaimed the 40k mark driven by technology and banking stocks. It is trading higher today ahead of the MPC rate decision. Other Asian stocks are also trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.79	0	11	7	17	(88)
UK	0.29	(1)	6	4	13	(30)
Japan	0.04	0	2	(1)	1	24
Germany	(0.52)	(3)	1	(6)	(6)	(5)
India	6.02	0	2	2	24	(45)
China	3.15	1	6	(0)	5	1
2Y yields (Δ bps)						
US	0.15	0	2	1	0	(139)
UK	(0.02)	(1)	2	7	7	(49)
Japan	(0.11)	1	1	1	2	20
Germany	(0.71)	(2)	0	(1)	(2)	0
India	4.35	(1)	(2)	(7)	23	(132)
China [^]	2.60	(1)	1	(0)	45	5
Currencies (Δ %)						
EUR	1.1759	0	0.1	(0.5)	4.2	6.9
GBP	1.2938	0.1	0.4	(1.7)	2.6	4.0
JPY	106.03	0	(0.5)	0.2	1.1	1.8
AUD	0.7165	0.4	(0.3)	(1.5)	2.9	6.0
INR	73.24	0.1	(0.1)	0.1	2.3	(3.1)
CNY	6.7908	0.4	0.3	0.6	2.9	5.0
Equity & Other indices (Δ %)						
Dow	28,426	0.4	2.2	1.0	10.6	7.3
FTSE	5,978	0.5	1.7	0.7	(1.2)	(16.8)
DAX	13,042	0.9	2.4	(0.4)	4.4	7.2
NIKKEI	23,647	1.0	2.0	2.4	5.0	9.7
Shanghai Comp	3,218	(0.2)	(1.9)	(2.3)	(6.7)	9.2
SENSEX	40,183	0.8	3.8	4.6	9.4	6.1
Brent (US\$/bbl)	43.34	3.2	5.9	3.2	2.3	(26.7)
Gold (US\$/oz)	1,894	0.3	(0.6)	(2.1)	5.0	26.8
CRB Index	406.4	0.3	0.6	2.0	11.8	4.8
Rogers Agri Index	766.3	(0.2)	1.5	4.1	10.3	7.8
LIBOR (3M)*	0.23	0	0	(1)	(4)	(176)
INR 5Y Swap*	5.36	0	(6)	(25)	4	(101)
India FII data (US\$ mn)						
	7 Oct	6 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	(91.0)	(39.2)	(184.6)	(427.4)	(15,107.1)	(5,347.6)
FII-Equity	139.0	144.7	330.3	584.0	4,624.1	11,227.0

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | ^1Y yield | Note: Markets in China were closed from 30 Sep 2020 till 8 Oct 2020

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