

MACRO DAILY

01 December 2020

Macro developments

- The hike in petrol and diesel prices continued, with petrol prices up by Rs 1.28/lit and diesel prices by Rs 1.96/lit since 19 Nov 2020. On an average retail prices of petrol rose to a 25-month high of Rs 84.1/lit in Nov'20 against Rs 83.9/lit in Oct'20. Diesel prices on an average rose to Rs 74.7/lit from Rs 74.3/lit in Oct'20. This followed a 5.9% MoM increase in international crude prices in Nov'20.
- China's official manufacturing PMI rose to 52.1 in Nov'20 (est.: 51.5) from 51.4 in Oct'20. Amongst the 21 industries surveyed, 19 reported expansion in activity. Sub-indexes of production and new orders rose the most. Within new orders, export orders picked up led by holiday demand. The non-manufacturing PMI also rose in Nov'20, to 56.4 from 56.2 in Oct'20, led by construction, transport, finance and IT services.
- Japan's industrial production rose by 3.8% in Oct'20 on a MoM basis versus 3.9% increase in Sep'20. Steady growth was driven by higher production of general machinery (17.9%), auto (6.8%) and I&CE (8.4%). In Nov'20, ministry expects output to increase by 2.7% followed by 2.4% drop in Dec'20.

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Markets

- **Bonds:** Global yields closed mixed amidst reports over vaccine development and uncertainty over EU's stimulus measures. US 10Y closed stable at 0.84%. Germany 10Y yield rose by 2bps. Crude prices fell by 1.2% (US\$ 48/bbl) over delayed OPEC+ talks on production cut. India's 10Y yield rose by 4bps (5.91%) on Friday amidst hopes of domestic recovery. Today it is trading higher at 5.92%.
- **Currency:** Barring GBP, other global currencies closed lower against the dollar. DXY gained 0.1% as Fed Chair is set to appear before the Congress this week. GBP also rose by 0.1% on hopes of positive Brexit trade deal outcome. Today, INR is trading higher in line with other Asian currencies.
- **Equity:** Global indices closed lower with FTSE (-1.6%) and Dow (-0.9%) falling the most. Continued rise in Covid-19 cases in US and Europe and lack of fiscal stimulus remained key concerns. Investors are also awaiting employment data from the US later in the week. Sensex was closed on account of national holiday. Though it is trading higher today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.84	0	(1)	(3)	13	(98)
UK	0.31	2	(1)	4	(1)	(43)
Japan	0.03	0	2	(1)	(2)	8
Germany	(0.57)	2	1	6	(17)	(29)
India	5.91	4	1	3	(21)	(58)
China	3.27	(4)	(2)	9	25	6
2Y yields (Δ bps)						
US	0.15	0	(1)	0	2	(145)
UK	(0.02)	2	1	1	4	(57)
Japan	(0.12)	2	2	0	(1)	4
Germany	(0.74)	1	1	5	(9)	(13)
India	3.92	1	(2)	(27)	(55)	(143)
China	2.86	(6)	(9)	15	36	23
Currencies (Δ %)						
EUR	1.1927	(0.3)	0.7	2.4	(0.1)	7.7
GBP	1.3323	0.1	0	2.9	(0.4)	3.0
JPY	104.31	(0.2)	0.2	0.3	1.5	4.3
AUD	0.7344	(0.6)	0.8	4.5	(0.4)	7.7
INR	74.04	(0.2)	0.1	0.1	(0.6)	(3.3)
CNY	6.5789	0	0.1	1.7	3.9	6.5
Equity & Other indices (Δ %)						
Dow	29,639	(0.9)	0.2	11.8	4.3	6.7
FTSE	6,266	(1.6)	(1.1)	12.4	5.1	(14.0)
DAX	13,291	(0.3)	1.3	15.0	2.7	2.5
NIKKEI^	26,434	(0.8)	3.6	15.0	14.2	12.3
Shanghai Comp	3,392	(0.5)	(0.7)	5.2	(0.1)	17.9
SENSEX	44,150	(0.2)	0.2	11.4	14.3	8.2
Brent (US\$/bbl)	47.59	(1.2)	3.3	27.0	5.1	(21.9)
Gold (US\$/oz)	1,777	(0.6)	(3.3)	(5.4)	(9.7)	21.5
CRB Index	428.4	(0.1)	0.4	4.6	8.5	11.0
Rogers Agri Index	823.6	(1.5)	(1.0)	5.2	11.4	13.7
LIBOR (3M)*	0.23	0	2	1	(2)	(167)
INR 5Y Swap*	5.18	0	5	(1)	(46)	(121)
India FII data (US\$ mn)						
	26 Nov	25 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(60.3)	(164.6)	(402.8)	(307.8)	(14,537.5)	(4,778.0)
FII-Equity	406.6	(180.8)	1,632.3	8,321.8	14,868.2	21,471.2

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Markets in India were closed on 30.11.2020

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