

MACRO DAILY

11 November 2020

Macro developments

- Noting a robust turnaround, India's exports are estimated to have increased by 22.5% on a YoY basis in the period 1-7 Nov 2020 following a decline of 5.4% in Oct'20. Exports of gems and jewellery (88.8%) pharmaceuticals (32%) and engineering goods (16.7%) rose the most. Imports too showed a significant recovery and increased by 13.6% in Nov'20 compared with a decline of 11.6% in Oct'20.
- Germany's ZEW economic sentiment index dropped to 39.0 in Nov'20 much lower compared with 56.1 in Oct'20 and against expectation of 42.5. The current situation index also fell to (-) 64.3 in Nov'20 against (-) 59.5 in Oct'20. This was on the back of resurgence in Covid-19 infections which has raised concerns over a double-dip recession.
- Italy's industrial production contracted sharply by 5.1% in Sep'20 from 0.3% in Aug'20. This was led by deep contraction in textiles, wearing apparels and coke and petroleum products. On the other hand, industrial output in France improved to 1.4% in Sep'20 from 1.1% in Aug'20 on a MoM basis. Separately, unemployment rate in France surged to a 2-year high of 9% in Q3CY20 due to the ongoing Covid-19 pandemic.

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Markets

- **Bonds:** Except China, global yields closed higher as risk sentiment improved amidst expectation of a potential vaccine. US 10Y yield rose by 4bps (0.96%). US Fed officials hinted at more stimulus in the wake of downside risks from Covid-19. Crude prices rose by 2.9% (US\$ 44/bbl). India's 10Y yield rose by 4bps (5.92%) led by global cues. It is trading flat today.
- **Currency:** Global currencies closed broadly higher. DXY closed flat as investors assessed progress of Covid-19 vaccine. GBP rose sharply by 0.8% on hopes that the UK and EU will agree on a post-Brexit trade agreement soon. JPY also rose by 0.1%. INR closed flat. However, it is trading lower today, while other Asian currencies are trading higher.
- **Equity:** Barring Shanghai Comp, other global indices ended higher on the back of hopes of an effective Covid-19 vaccine. FTSE (1.8%) surged the most followed by Sensex (1.6%) and Dow (0.9%). Gains in Sensex were led by banking and capital good stocks. It is trading further higher today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.96	4	6	19	32	(98)
UK	0.40	3	13	12	20	(41)
Japan	0.05	2	0	1	1	7
Germany	(0.49)	2	14	4	(1)	(23)
India	5.92	4	2	(2)	5	(65)
China	3.23	(1)	4	4	25	(3)
2Y yields (Δ bps)						
US	0.18	1	1	3	3	(148)
UK	0.01	1	5	2	0	(56)
Japan	(0.12)	2	(1)	0	(1)	4
Germany	(0.71)	2	8	0	(3)	(9)
India	4.15	4	(3)	(12)	(11)	(141)
China	2.76	1	4	15	55	10
Currencies (Δ %)						
EUR	1.1815	0	0.9	(0.1)	0.6	7.3
GBP	1.3272	0.8	1.6	1.8	1.7	3.3
JPY	105.30	0.1	(0.8)	0.3	1.1	3.4
AUD	0.7284	0	1.7	0.6	2.0	6.5
INR	74.18	0	0.3	(1.4)	0.8	(3.8)
CNY	6.6170	0.2	0.9	1.2	4.7	5.6
Equity & Other indices (Δ %)						
Dow	29,421	0.9	7.1	2.9	6.3	6.2
FTSE	6,297	1.8	8.8	4.7	2.3	(14.5)
DAX	13,163	0.5	8.9	0.9	1.7	(0.9)
NIKKEI	24,906	0.3	6.9	5.4	9.5	5.9
Shanghai Comp	3,360	(0.4)	2.7	2.7	0.6	15.3
SENSEX	43,278	1.6	7.5	6.8	12.7	7.3
Brent (US\$/bbl)	43.61	2.9	9.8	1.8	(2.0)	(29.7)
Gold (US\$/oz)	1,877	0.8	(1.7)	(2.7)	(1.8)	28.9
CRB Index	417.3	0.4	1.5	1.7	10.1	6.5
Rogers Agri Index	816.4	1.5	3.6	5.7	17.7	11.7
LIBOR (3M)*	0.21	0	(2)	(2)	(5)	(170)
INR 5Y Swap*	5.14	6	(8)	(19)	(10)	(132)
India FII data (US\$ mn)						
	9 Nov	6 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	119.3	35.6	119.3	205.0	(14,024.7)	(4,265.2)
FII-Equity	598.7	659.5	598.7	2,331.0	8,877.4	15,480.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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