

MACRO DAILY

14 October 2020

Macro developments

- IMF expects India's GDP to contract by 10.3% compared with a 4.5% dip estimated earlier. The downward revision is mainly due to sharper than anticipated contraction in growth in Q1FY21 at 23.9%. Growth is expected to rebound to 8.8% in FY22, making India the fastest growing economy. Global growth is now expected to contract by 4.4% in CY20, an upward revision of 80bps, as growth in advanced economies is expected to contract at a slower pace than earlier estimated (-5.8% versus -8.1% earlier).
- US CPI moderated to 0.2% in Sep'20 from 0.4% in Aug'20 (MoM) driven by easing of supply chain disruptions. Core inflation, excluding food and energy too rose by 0.25 in Sep'20. However, the prices of used car and trucks continued to edge upwards (6.7% in Sep'20 from 5.4%). On a YoY basis, CPI increased by 1.4% in Sep'20 from 1.3% in Aug'20.
- Germany's ZEW economic sentiment index fell sharply to 56.1 points in Oct'20 (est.: 73) from 77.4 in Sep'20. Resurgence in COVID-19 cases, uncertainty around Brexit and US presidential elections, were the key drivers of this trend. Thus the financial market sentiment index also tumbled to 52.3 in Oct'20 from 73.9 in Sep'20.

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Markets

- Bonds:** Global yields closed mixed with US 10Y yield falling the most (5bps). Rising uncertainty around the passage of new fiscal stimulus bill and the reduced size of it, negatively impacted investor sentiments. Crude prices rose by 1.7% (US\$ 42.5/bbl) as OPEC+ producers are expected to stick to the pledged output cuts. India's 10Y yield rose by 1bps to 5.9% as inflation remains elevated. It is trading at 5.90% today.
- Currency:** Except CNY (flat), other global currencies closed lower against the dollar. DXY rose by 0.5% amidst uncertainty over COVID-19 vaccine and US fiscal stimulus. GBP depreciated the most by 1% as Brexit negotiations continued. INR fell by 0.1% as oil prices rose. It is trading further lower today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors continue to track developments on COVID-19 vaccine. Dax (0.9%) declined the most followed by Dow and FTSE falling by 0.5% each. Sensex (0.1%) inched up led by advancement in tech stocks. It is trading lower today inline with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.73	(5)	(1)	6	10	(104)
UK	0.24	(3)	(5)	6	9	(46)
Japan	0.03	0	(1)	0	0	20
Germany	(0.56)	(1)	(5)	(8)	(11)	(14)
India	5.90	1	(12)	(14)	8	(59)
China	3.19	1	4	4	19	3
2Y yields (Δ bps)						
US	0.14	(1)	(1)	1	(2)	(148)
UK	(0.04)	(2)	(2)	8	6	(57)
Japan	(0.12)	0	(1)	0	1	15
Germany	(0.74)	(1)	(4)	(4)	(7)	(5)
India	4.27	1	(12)	(21)	9	(134)
China	2.61	0	1	1	48	6
Currencies (Δ %)						
EUR	1.1746	(0.6)	0.1	(0.8)	3.0	6.5
GBP	1.2937	(1.0)	0.4	1.1	3.1	1.2
JPY	105.48	(0.1)	0.1	0.6	1.6	3.1
AUD	0.7161	(0.7)	0.8	(1.7)	2.7	6.0
INR	73.36	(0.1)	0.1	0.3	2.8	(2.5)
CNY	6.7466	0	0.7	1.3	3.7	4.7
Equity & Other indices (Δ %)						
Dow	28,680	(0.5)	3.3	3.7	7.6	6.1
FTSE	5,970	(0.5)	0.3	(1.0)	(3.4)	(17.2)
DAX	13,019	(0.9)	0.9	(1.4)	2.5	3.1
NIKKEI	23,602	0.2	0.7	0.8	4.5	6.3
Shanghai Comp	3,360	0	4.4	3.0	(1.6)	12.3
SENSEX	40,626	0.1	2.7	4.6	12.7	5.5
Brent (US\$/bbl)	42.45	1.7	(0.5)	6.6	(1.0)	(27.7)
Gold (US\$/oz)	1,891	(1.6)	0.7	(2.5)	4.5	27.7
CRB Index	409.9	(0.1)	1.1	2.2	12.6	4.5
Rogers Agri Index	767.5	0.4	0.6	3.5	12.5	5.6
LIBOR (3M)*	0.23	0	0	(2)	(4)	(177)
INR 5Y Swap*	5.29	(2)	(9)	(29)	3	(117)
India FII data (US\$ mn)						
	12 Oct	9 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	78.1	399.4	78.1	14.9	(14,664.9)	(4,905.4)
FII-Equity	241.5	(171.4)	241.5	821.4	4,861.5	11,464.4

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

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