

MACRO DAILY

16 October 2020

Macro developments

- Centre has increased its borrowing program for FY21 as it has decided to borrow Rs 1.1tn on behalf of states to meet the GST compensation cess shortfall. Centre's H2FY21 borrowing will be at Rs 5.75tn, with Rs 4.88tn to be borrowed in the remaining part of H2. The money raised will be given to states as back to back loans. States are now expected to borrow less.
- India's trade deficit narrowed to US\$ 2.7bn in Sep'20 from US\$ 6.8bn in Aug'20 as export growth rose to an 18-month high at 6% from a dip of 12.6%. Pharma and agri exports rose the most. Imports declined at a slower pace of 19.6% versus 26% fall in Aug'20 led by recovery in non-oil-non-gold imports. We expect a current account surplus of US\$ 39bn in FY21 led by lower merchandise trade deficit.
- New jobless claims in the US rose sharply by 53,000 to 8,98,000, much higher than anticipated. This comes in the wake of the ongoing negotiations over US fiscal stimulus. Additionally, some US airlines and other companies had also announced job cuts this week. This added to concerns of economic recovery amidst the ongoing COVID-19 pandemic.

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Markets

- Bonds:** Barring US and China, global yields closed lower. US 10Y yield rose a tad by 1bps to 0.73%. Crude prices fell by 0.2% (US\$ 43/bbl) on supply concerns and resurgence in COVID-19 cases in Europe. India's 10Y yield closed 1bps lower at 5.9%. It is trading at 5.93% today after government announced a hike in its borrowing program.
- Currency:** Global currencies closed higher against the dollar. DXY rose by 0.5% amidst heightened uncertainty over US fiscal stimulus and higher than estimated increase in jobless claims. AUD fell by 0.9% as RBA Governor hinted at further monetary easing. INR depreciated by 0.1%. It is trading further lower today while other Asian currencies are trading mixed.
- Equity:** Global indices ended lower amidst fading hopes of US stimulus package and rising COVID-19 cases. Amongst other indices, Sensex (2.6%) declined the most led by weaker cues and was dragged lower by banking and tech stocks. European indices also ended lower as new restrictions were imposed again due to surge in cases. Sensex is trading higher today; while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.73	1	(5)	6	12	(102)
UK	0.18	(4)	(11)	(1)	4	(50)
Japan	0.02	(1)	(2)	0	(0)	17
Germany	(0.61)	(3)	(9)	(13)	(15)	(20)
India	5.90	(1)	(12)	(13)	8	(60)
China	3.23	1	8	8	26	6
2Y yields (Δ bps)						
US	0.14	0	(1)	0	(1)	(146)
UK	(0.05)	0	(3)	5	5	(56)
Japan	(0.13)	0	(2)	(1)	1	12
Germany	(0.77)	(2)	(6)	(7)	(9)	(10)
India	4.25	(1)	(9)	(23)	8	(134)
China	2.64	1	4	2	51	8
Currencies (Δ %)						
EUR	1.1708	(0.3)	(0.4)	(1.3)	2.8	5.2
GBP	1.2909	(0.8)	(0.2)	0.5	2.8	0.1
JPY	105.45	(0.3)	0.5	0.3	1.7	3.0
AUD	0.7094	(0.9)	(1.0)	(2.7)	1.8	4.0
INR	73.38	(0.1)	(0.2)	0.1	2.4	(3.1)
CNY	6.7254	(0.2)	1.0	1.2	3.8	5.0
Equity & Other indices (Δ %)						
Dow	28,494	(0.1)	0.2	1.8	6.6	5.4
FTSE	5,833	(1.7)	(2.4)	(3.2)	(6.7)	(18.8)
DAX	12,704	(2.5)	(2.6)	(3.7)	(1.3)	0.4
NIKKEI	23,507	(0.5)	(0.6)	(0.2)	3.2	4.7
Shanghai Comp	3,332	(0.3)	3.5	1.6	3.8	11.9
SENSEX	39,728	(2.6)	(1.1)	2.5	8.9	1.7
Brent (US\$/bbl)	43.16	(0.4)	(0.4)	9.0	(0.5)	(28.0)
Gold (US\$/oz)	1,909	0.4	0.8	(2.5)	6.2	27.9
CRB Index	410.7	0	1.1	1.5	12.3	4.1
Rogers Agri Index	780.3	0.9	1.8	4.7	13.0	6.8
LIBOR (3M)*	0.23	(1)	1	(1)	(4)	(174)
INR 5Y Swap*	5.27	(2)	(9)	(31)	1	(120)
India FII data (US\$ mn)						
	14 Oct	13 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	(0.5)	27.1	104.6	41.4	(14,638.4)	(4,878.9)
FII-Equity	156.4	255.7	653.6	1,233.5	5,273.6	11,876.5

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

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