

MACRO DAILY

17 December 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 116bn and stood at Rs 27.8tn for the week ending 11 Dec 2020. Reserve money rose by 14.6% on a YoY basis, compared with 9.7% a year ago. On FYTD basis, reserve money increased by 9.2% as against 4.2% a year ago.
- Global flash PMIs for Dec'20 indicate that both manufacturing and services activity improved in the UK and Eurozone, while US saw a slowdown. Manufacturing PMI in Eurozone rose to 55.5 from 53.8 in Nov'20, while services index was up to 47.3 from 41.7 last month. In the US, manufacturing PMI eased to 56.5 from 56.7 and services index fell to 55.3 from 58.4 in Nov'20.
- US Fed in its latest policy kept rates unchanged in the range of 0-0.25%. Fed projections shows that the same is likely to persist till CY23. It also voted to maintain monthly bond purchase of at least US\$ 120bn. Real GDP is expected to contract at a slower pace of 2.4% in CY20 (3.7% estimated earlier), while reviving to 4.2% in CY21. Core PCE is estimated to be below its 2% target at 1.4% and 1.8% in CY20 and CY21 respectively.

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Markets

- **Bonds:** Global yields broadly closed higher amidst expectation of a US\$ 900bn fiscal stimulus in the US. Its 10Y yield rose by 1bps (0.92%) further supported by higher bond purchase by US Fed. Crude prices rose by 0.6% (US\$ 51/bbl) amidst drawdown in US inventory. India 10Y yield closed flat at 5.94%. It is trading flat today.
- **Currency:** Global currencies closed higher. GBP and EUR both rose the most by 0.4%. Increased risk appetite owing to hopes hinging on US fiscal stimulus deal, Fed chair statement and Brexit negotiations supported investor sentiments. INR rose by 0.1%. However, it is trading further higher today in line with other Asian currencies.
- **Equity:** Barring Dow and Shanghai Comp, other global indices ended higher led by progress in Brexit negotiations and robust PMI for Eurozone. Amongst other indices, Dax (1.5%) gained the most followed by Sensex (0.9%). This was supported by a rally in real estate and consumer durables stocks. It is trading 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	0.92	1	(2)	2	22	(100)
UK	0.27	1	1	(7)	6	(50)
Japan	0.01	1	(1)	(2)	(1)	2
Germany	(0.57)	4	4	(2)	(8)	(32)
India	5.94	0	2	6	(5)	(77)
China	3.30	0	0	3	17	6
2Y yields (Δ bps)						
US	0.12	0	(3)	(6)	(2)	(151)
UK	(0.08)	(2)	0	(5)	(2)	(60)
Japan	(0.12)	0	0	1	1	0
Germany	(0.73)	3	5	0	(4)	(9)
India	3.87	0	(8)	(23)	(57)	(192)
China	2.74	(6)	(11)	(8)	12	15
Currencies (Δ %)						
EUR	1.2200	0.4	1.0	3.1	3.2	9.8
GBP	1.3509	0.4	0.8	2.4	4.2	3.3
JPY	103.47	0.2	0.7	1.1	1.4	5.5
AUD	0.7577	0.2	1.7	4.2	3.7	10.6
INR	73.59	0.1	0	1.4	(0.1)	(3.7)
CNY	6.5328	0.1	0.2	1.1	3.3	6.7
Equity & Other indices (Δ %)						
Dow	30,155	(0.1)	0.3	2.3	7.6	6.8
FTSE	6,571	0.9	0.1	4.0	8.1	(12.9)
DAX	13,566	1.5	1.7	3.7	2.3	2.6
NIKKEI	26,757	0.3	(0.2)	5.4	14.0	11.8
Shanghai Comp	3,367	0	(0.1)	1.7	2.5	11.6
SENSEX	46,666	0.9	1.2	7.4	18.7	12.3
Brent (US\$/bbl)	51.08	0.6	4.5	19.4	21.0	(22.8)
Gold (US\$/oz)	1,865	0.6	1.4	(1.3)	(4.8)	26.4
CRB Index	436.7	0	0.6	5.1	7.4	9.7
Rogers Agri Index	834.3	0	1.4	2.7	11.5	11.7
LIBOR (3M)*	0.23	1	1	1	0	(168)
INR 5Y Swap*	5.28	1	4	14	(27)	(136)
India FII data (US\$ mn)						
	15 Dec	14 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(88.6)	228.8	140.2	812.0	(13,807.2)	(4,047.7)
FII-Equity	313.8	472.8	786.6	4,761.4	20,867.2	27,470.1

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

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