

MACRO DAILY

19 October 2020

Macro developments

- India's rail freight data shows continued improvement in domestic trade activity in Oct'20 so far. Rail freight volume is up by 21.1% in the first 10 days of Oct'20 compared with 12.4% increase in the first 10 days of Sep'20 and 15.5% in the whole of Sep'20. This is supported by increased movement of cement and coal, which contributes to 50% of total freight.
- China's GDP rose by 4.9% in Q3CY20 (est.: 5.2%) up from 3.2% growth in Q2. This brings the CYTD growth to 0.7%, with manufacturing sector and exports leading in Q3. In Sep'20, industrial production rose by 6.9% from 5.6% in Aug'20 and retail sales were up by 3.3% versus 0.5% in Aug'20. With higher infra spending by the government, FAI rose to 0.8% between Jan-Sep'20 following a 0.3% decline between Jan-Aug'20.
- US retail sales accelerated at a much faster pace than anticipated, by 1.9% in Sep'20 from 0.6% in Aug'20 on a MoM basis. The surge has been on the back of higher spending on clothing (11% in Sep'20 from 1.4% in Aug'20) and motor vehicles (3.6% in Sep'20 from 0.7% in Aug'20). Core sales (ex-automobiles, gasoline, food and building materials) too improved by 1.4% in Sep'20 from 0.3% in Aug'20.

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Markets

- Bonds:** Global yields closed mixed with India's 10Y yield rising the most (4bps), followed by US (1bps). US 10Y yield rose to 0.75% as retail sales data pointed towards recovering domestic demand. Crude prices fell by 0.5% (US\$ 42.9/bbl) owing to demand concerns with resurgence in COVID-19 cases in Europe. India's 10Y yield rose to 5.94% as centre announced additional borrowing of Rs 1.1tn. It is trading at 5.92% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% as risk sentiment improved led by improvement in US retail sales. GBP closed flat as UK's PM hinted at the possibility of a no-trade deal Brexit. INR closed unchanged. It is trading lower today in line with other Asian currencies.
- Equity:** Barring Nikkei, other global indices higher with acceleration in US retail sales. Amongst other indices, Dax (1.6%) surged the most followed by FTSE (1.5%). Sensex (0.6%) too climbed up driven by metal and real estate stocks. It is trading higher today in line with other Asian stocks, as China's GDP rose in Q3CY20.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.75	1	(3)	7	12	(101)
UK	0.18	0	(10)	(4)	2	(53)
Japan	0.02	0	(1)	0	0	15
Germany	(0.62)	(1)	(10)	(14)	(18)	(24)
India	5.94	4	0	(9)	13	(58)
China	3.22	(1)	3	11	25	3
2Y yields (Δ bps)						
US	0.14	0	(1)	0	(0)	(143)
UK	(0.06)	0	(4)	1	4	(59)
Japan	(0.13)	0	(1)	0	(1)	10
Germany	(0.78)	(1)	(6)	(9)	(11)	(11)
India	4.25	0	(2)	(22)	9	(133)
China	2.72	8	10	10	66	16
Currencies (Δ %)						
EUR	1.1718	0.1	(0.9)	(1.1)	2.5	4.9
GBP	1.2915	0	(0.9)	0.2	2.8	(0.5)
JPY	105.40	0	0.2	0	1.5	2.8
AUD	0.7081	(0.2)	(2.2)	(3.0)	1.2	3.3
INR	73.35	0	(0.3)	0.4	2.2	(3.1)
CNY	6.6976	0.4	0	1.3	4.2	5.4
Equity & Other indices (Δ %)						
Dow	28,606	0.4	0.1	2.2	7.3	6.9
FTSE	5,920	1.5	(1.6)	(3.0)	(5.9)	(17.2)
DAX	12,909	1.6	(1.1)	(2.3)	(0.1)	2.2
NIKKEI	23,411	(0.4)	(0.9)	(0.2)	3.1	4.1
Shanghai Comp	3,336	0.1	2.0	1.2	3.8	13.6
SENSEX	39,983	0.6	(1.3)	2.4	8.0	1.7
Brent (US\$/bbl)	42.93	(0.5)	0.2	5.9	(0.5)	(27.8)
Gold (US\$/oz)	1,899	(0.5)	(1.6)	(2.8)	4.9	27.5
CRB Index	411.7	0.2	0.3	1.4	12.3	5.0
Rogers Agri Index	782.0	0.2	1.3	5.3	12.5	7.0
LIBOR (3M)*	0.22	(1)	(1)	(3)	(5)	(174)
INR 5Y Swap*	5.29	2	(4)	(30)	4	(119)
India FII data (US\$ mn)						
	15 Oct	14 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	36.0	(0.5)	140.6	77.4	(14,602.4)	(4,842.9)
FII-Equity	(40.0)	156.4	613.6	1,193.5	5,233.6	11,836.5

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

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