

## MACRO DAILY

21 October 2020

### Macro developments

- According to EPFO's data, it added 0.67mn new subscribers to its subscriber base in Aug'20 compared with 0.65mn added in Jul'20. Within this, 0.37mn were in the age group of 18-25 years. While total new additions still remain below pre-COVID levels (0.75mn in Feb'20), they have continuously gained pace since Apr'20. On FYTD basis, total additions stand at 2.4mn compared with 5.5mn in FYTD20.
- US housing starts accelerated by 1.9% on a MoM basis in Sep'20 reversing a decline of 5.1% in Aug'20 and raising hopes of economic recovery. This was led by uptick of 8.5% in single-housing units to 1.08mn, as interest rates remained low and people migrated to sub-urban and low density areas. On the other hand, demand for multi-family housing segment dropped by 16% to 307,000 units.
- Germany's PPI fell at a slower pace of 1% in Sep'20 (YoY) compared with a 1.2% decline in Aug'20 and estimate of a 1.4% decline. While energy prices declined by 3.3% in Sep'20, prices of durable consumer goods and capital goods inched up by 1.4% and 0.9% respectively in Sep'20. On a MoM basis, PPI rose by 0.4% unchanged from Aug'20.

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### Markets

- Bonds:** Global yields closed mixed with US, UK and German 10Y yields rising by 2bps each. Renewed hopes around larger fiscal stimulus bill and Brexit negotiations supported yields. Thus crude prices also rose by 1.3% (US\$ 43.2/bbl). India's 10Y yield eased a tad (1bps) to 5.93% ahead of RBI's OMO auction, and is trading at the same level today.
- Currency:** Global currencies closed mixed. DXY fell by 0.4% as investors await results of US fiscal stimulus negotiations. Rise in US housing starts also led to improvement in risk-sentiment. INR depreciated marginally by 0.1% as oil prices increased. It is trading higher today in line with other Asian currencies.
- Equity:** Barring Dax and Nikkei, other global indices ended higher on hopes of US stimulus and stronger data print signalling economic recovery. Shanghai Comp (0.5%) gained the most, followed by Dow (0.4%). Sensex (0.3%) too ended in green led by advancement in real estate and tech stocks. It is trading higher today while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 0.79          | 2             | 6          | 9          | 19          | (98)        |
| UK                                      | 0.19          | 2             | (5)        | 0          | 5           | (52)        |
| Japan                                   | 0.02          | 0             | (1)        | 1          | 0           | 15          |
| Germany                                 | (0.61)        | 2             | (5)        | (12)       | (15)        | (24)        |
| India                                   | 5.93          | (1)           | 3          | (8)        | 10          | (61)        |
| China                                   | 3.20          | 0             | 0          | 7          | 28          | (2)         |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 0.14          | 0             | 0          | 0          | 0           | (145)       |
| UK                                      | (0.07)        | 1             | (2)        | 5          | 4           | (59)        |
| Japan                                   | (0.13)        | 0             | (1)        | 1          | 0           | 10          |
| Germany                                 | (0.78)        | 1             | (5)        | (9)        | (11)        | (12)        |
| India                                   | 4.24          | (1)           | (3)        | (20)       | 5           | (134)       |
| China                                   | 2.67          | (5)           | 5          | 6          | 61          | 6           |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1822        | 0.5           | 0.6        | (0.2)      | 2.6         | 6.3         |
| GBP                                     | 1.2948        | 0             | 0.1        | 0.2        | 1.7         | 0.6         |
| JPY                                     | 105.50        | (0.1)         | 0          | (0.9)      | 1.2         | 2.8         |
| AUD                                     | 0.7048        | (0.4)         | (1.6)      | (3.3)      | (1.1)       | 2.8         |
| INR                                     | 73.47         | (0.1)         | (0.2)      | 0          | 1.7         | (3.6)       |
| CNY                                     | 6.6767        | 0.1           | 1.0        | 1.4        | 4.4         | 5.7         |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| Dow                                     | 28,309        | 0.4           | (1.3)      | 2.4        | 5.5         | 5.7         |
| FTSE                                    | 5,889         | 0.1           | (1.3)      | (2.0)      | (6.1)       | (18.3)      |
| DAX                                     | 12,737        | (0.9)         | (2.2)      | (2.9)      | (3.3)       | (0.1)       |
| NIKKEI                                  | 23,567        | (0.4)         | (0.1)      | 0.9        | 3.0         | 4.8         |
| Shanghai Comp                           | 3,328         | 0.5           | (0.9)      | (0.3)      | 0.2         | 12.6        |
| SENSEX                                  | 40,544        | 0.3           | (0.2)      | 4.4        | 6.9         | 4.1         |
| Brent (US\$/bbl)                        | 43.20         | 1.3           | 1.7        | 0          | (2.6)       | (27.7)      |
| Gold (US\$/oz)                          | 1,907         | 0.2           | 0.8        | (2.3)      | 3.5         | 28.2        |
| CRB Index                               | 414.5         | 0.2           | 1.0        | 1.1        | 12.8        | 5.7         |
| Rogers Agri Index                       | 790.0         | 0.2           | 2.9        | 3.6        | 14.3        | 8.8         |
| LIBOR (3M)*                             | 0.20          | 0             | (2)        | (1)        | (4)         | (172)       |
| INR 5Y Swap*                            | 5.20          | (2)           | (6)        | (36)       | (9)         | (131)       |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>19 Oct</b> | <b>16 Oct</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (2.8)         | 163.8         | (2.8)      | 238.3      | (14,441.4)  | (4,681.9)   |
| FII-Equity                              | 271.1         | (1.2)         | 271.1      | 1,463.5    | 5,503.5     | 12,106.5    |

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

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