

MACRO DAILY

24 September 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 58bn and stood at Rs 26.9tn for the week ending 18 Sep 2020. Reserve money rose by 14.8% on a YoY basis, compared with 12.7% a year ago. On a FYTD basis, reserve money increased by 6.3% as against 1.2% last year.
- Manufacturing activity showed improvement while services activity faltered globally. In the Eurozone, flash manufacturing PMI improved to a 25-month high of 53.7 in Sep'20 from 51.7 in Aug'20. Services PMI hit a 4-month low of 47.6 from 50.5 in Aug'20. In the US, manufacturing PMI rose to a 20-month high of 53.5 from 53.1 in Aug'20. Services PMI was at its 2-month low of 54.6 from 55 in Aug'20. Moderate rise in input cost was visible and employment remained considerably bleak.
- Germany's consumer confidence for Oct'20 edged up a tad to (-) 1.6 points from (-) 1.7 in Sep'20. This was on the back of improvement in economic (24.1 versus 11.7) and income expectations (16.1 from 12.8). However, willingness to spend index eased to its lowest since Jun'20, owing to rising lay-offs and decline in nominal wages (4% in Q2).

Sonal Badhan

sonal.badhan@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed amidst rising COVID-19 cases globally, Asia Pacific tensions and muted services activity. US 10Y yield closed stable at 0.67% as investors were cautious post Fed's comments over long and uncertain recovery. Crude prices rose by 0.1% (US\$ 42/bbl) due to decline in US inventory. India's 10Y yield fell by 2bps (5.99%) on expectation of more OMO purchase by RBI. It is trading flat today.
- **Currency:** Except INR, other global currencies closed lower as rising COVID-19 cases raised concerns over global recovery. DXY rose for the 3rd straight session (0.4%) on safe-haven demand. AUD depreciated by 1.4% as Australia's retail sales slumped in Aug'20. INR closed flat. It is trading lower today while other Asian currencies are trading higher.
- **Equity:** Global indices ended mixed as investors continue to monitor rising COVID-19 cases. Dow (1.9%) declined as Fed warned of risks to US recovery without additional stimulus. European indices ended in green even as composite PMI came below expectations. Sensex too ended lower, dragged by power stocks. It is trading lower today in line with Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.67	0	(2)	4	(1)	(106)
UK	0.22	2	1	1	3	(32)
Japan	0.01	(1)	(1)	(3)	(1)	26
Germany	(0.51)	0	(2)	0	(7)	7
India	5.99	(2)	0	(10)	7	(77)
China	3.09	0	(4)	10	22	(3)
2Y yields (Δ bps)						
US	0.14	0	0	0	(5)	(154)
UK	(0.05)	0	1	0	2	(50)
Japan	(0.15)	(1)	(1)	(4)	(1)	19
Germany	(0.70)	1	(2)	(2)	(3)	3
India	4.43	0	(1)	12	9	(136)
China	2.59	0	(3)	15	41	3
Currencies (Δ %)						
EUR	1.1660	(0.4)	(1.3)	(1.2)	3.6	6.6
GBP	1.2724	(0.1)	(1.9)	(2.8)	2.5	3.0
JPY	105.39	(0.4)	(0.4)	0.4	1.5	2.2
AUD	0.7072	(1.4)	(3.2)	(1.2)	3.0	4.8
INR	73.57	0	(0.1)	1.7	2.8	(3.6)
CNY	6.8091	(0.4)	(0.8)	1.6	3.8	4.5
Equity & Other indices (Δ %)						
Dow	26,763	(1.9)	(4.5)	(4.2)	5.2	(0.8)
FTSE	5,899	1.2	(2.9)	(1.7)	(3.7)	(19.1)
DAX	12,643	0.4	(4.6)	(1.0)	4.5	3.3
NIKKEI	23,346	(0.1)	(0.5)	1.9	3.6	6.0
Shanghai Comp	3,280	0.2	(0.1)	(3.0)	10.1	11.0
SENSEX	37,668	(0.2)	(4.2)	(2.0)	8.0	(2.4)
Brent (US\$/bbl)	41.77	0.1	(1.1)	(5.8)	3.6	(33.1)
Gold (US\$/oz)	1,863	(1.9)	(4.9)	(4.0)	5.8	23.9
CRB Index	403.9	(0.7)	(0.6)	4.5	11.8	4.3
Rogers Agri Index	746.0	(0.5)	(0.3)	3.6	11.8	6.2
LIBOR (3M)*	0.22	0	(1)	(3)	(6)	(188)
INR 5Y Swap*	5.49	(3)	(6)	1	21	(81)
India FII data (US\$ mn)						
	22 Sep	21 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(35.8)	128.6	92.8	450.1	(14,639.9)	(4,880.4)
FII-Equity	(241.5)	(38.7)	(280.1)	531.7	5,339.1	11,942.0

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com