

MACRO DAILY

26 October 2020

Macro developments

- In order to meet the GST compensation cess gap, Govt has transferred Rs 60bn to 16 states under the 1st tranche of Rs 1.1tn payment to be made. So far 21 states and 2 UTs have opted for the scheme where India's central government will borrow Rs 1.1tn from the market and transfer to states as back to back loans. Each week MoF will transfer Rs 60bn to states. It is borrowing at 5.19% in 3-5 years tenor.
- India's forex reserves rose to a fresh historic high at US\$ 555.1bn in the week ended 16 Oct 2020. FX reserves increased by US\$ 3.6bn this week compared with an increase of US\$ 5.9bn last week. In FYTD21, forex reserves have increased by US\$ 79.6bn compared with an accretion of US\$ 28.8bn in the same period last year.
- Flash Eurozone PMI signalled a renewed possible downturn at the beginning of Q4CY20, as composite PMI dropped to a 4-month low (49.4 in Oct'20 from 50.4 in Sep'20). This was on the back of deterioration in services activity due to a resurgence in COVID-19 cases. However, Germany was the only exception as it reported steady growth (54.5 in Oct'20 from 54.7), led by the manufacturing sector.

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Markets

- Bonds:** Global yields closed mixed with India's 10Y yield falling the most (7bps), followed by US and Germany (1bps each). Resurgence in COVID-19 cases in the US and Europe, along with ongoing uncertainty around the US fiscal stimulus impacted investor sentiments. As a result, crude prices also fell by 1.6% (US\$ 41.7/bbl). India's 10Y yield closed lower at 5.84% supported by higher frequency of RBI OMOs. It is trading at 5.80% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% amidst uncertainty over US fiscal stimulus. GBP depreciated by 0.3% as UK's composite PMI fell to a 4-month low in Oct'20. INR fell by 0.1%. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Dow and Shanghai Comp other global indices ended higher as investors monitored US stimulus negotiations. Amongst other indices, FTSE (1.3%) gained the most followed by Dax (0.8%). Sensex (0.3%) too ended in green driven by a rally in auto and consumer durable stocks. However, it is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.84	(1)	10	18	25	(95)
UK	0.28	0	10	6	14	(40)
Japan	0.04	1	2	3	2	18
Germany	(0.57)	(1)	5	(7)	(13)	(21)
India	5.84	(7)	(9)	(15)	2	(66)
China	3.20	3	(2)	11	33	(4)
2Y yields (Δ bps)						
US	0.16	0	1	2	1	(146)
UK	(0.03)	(1)	2	2	6	(56)
Japan	(0.12)	1	1	2	1	11
Germany	(0.76)	1	2	(6)	(11)	(11)
India	4.16	(3)	(9)	(27)	(1)	(142)
China	2.64	1	(8)	5	37	1
Currencies (Δ %)						
EUR	1.1860	0.4	1.2	1.6	1.8	7.0
GBP	1.3039	(0.3)	1.0	2.3	1.9	1.7
JPY	104.71	0.1	0.7	0.7	1.3	3.6
AUD	0.7139	0.3	0.8	1.3	0.5	4.6
INR	73.61	(0.1)	(0.4)	0.4	1.6	(3.8)
CNY	6.6867	0	0.2	2.1	4.7	5.4
Equity & Other indices (Δ %)						
Dow	28,336	(0.1)	(0.9)	5.7	7.0	5.1
FTSE	5,860	1.3	(1.0)	0.6	(4.3)	(20.0)
DAX	12,646	0.8	(2.0)	0.3	(1.5)	(1.9)
NIKKEI	23,517	0.2	0.5	1.9	3.4	3.1
Shanghai Comp	3,278	(1.0)	(1.7)	1.7	2.5	10.9
SENSEX	40,686	0.3	1.8	11.3	6.7	4.2
Brent (US\$/bbl)	41.77	(1.6)	(2.7)	(0.4)	(3.6)	(32.7)
Gold (US\$/oz)	1,902	(0.1)	0.1	1.8	0.0	26.4
CRB Index	415.3	0	0.9	3.2	11.1	6.3
Rogers Agri Index	799.3	0.6	2.2	7.7	15.2	9.8
LIBOR (3M)*	0.22	0	0	(2)	(3)	(171)
INR 5Y Swap*	5.24	1	(4)	(26)	1	(128)
India FII data (US\$ mn)						
	22 Oct	21 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	69.5	(18.2)	126.1	367.2	(14,312.6)	(4,553.1)
FII-Equity	166.4	287.9	975.1	2,167.4	6,207.5	12,810.5

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

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