

MACRO DAILY

03 November 2020

Macro developments

- India's manufacturing PMI accelerated for the 3rd straight month to a 13-year high of 58.9 in Oct'20 from 56.8 in Sep'20. This was led by improvement in both new orders and exports orders with robust expansion in intermediate goods sector amidst easing of lockdown restrictions. Companies expect the ongoing momentum to sustain led by upturn in input buying and restocking efforts.
- US ISM manufacturing PMI rose to a 2 years at 59.3 in Oct'20 from 55.4 in Sep'20. This was led by a sharp uptick in new orders to a near 17-year high at 67.9 versus 60.2 in Sep'20. Out of the 18 manufacturing industries, 15 recorded strong growth led by apparel and leather & allied products. The sub-index for employment rose for the first time since Jul'19 to 53.2 from 49.6 in Sep'20.
- Reserve Bank of Australia (RBA) has cut its cash rate to a record low at 0.1% from 0.25% citing high unemployment and risks to growth. RBA also lowered its target for 3Y government bond yield and bank lending facility rate to 0.1%. It also announced purchase of AUD 100bn government bonds of 5-10Y maturities over the next 6 months. The bank expects GDP growth at 6% over the year to Jun'21 and by 4% in CY22. Inflation is estimated at 1% in CY21 and 1.5% in CY22.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell (3bps) due to uncertainty ahead of the US elections. Crude prices rose by 4% (US\$ 38.9/bbl) as OPEC+ inched closer to delaying its Jan'21 output increase. India's 10Y yield rose by 1bps to 5.89% as global cases of Covid-19 continued to surge. It is trading at 5.90% today.
- Currency:** Except CNY and AUD, other global currencies closed lower. DXY rose by 0.1% on safe-haven demand ahead of the US elections. GBP depreciated by 0.2% as UK imposed fresh lockdown measures. INR fell by 0.4%. It is trading higher today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp (flat), other global indices ended higher as investors turned their focus towards upcoming US elections and stronger global PMI data print. Sensex (0.4%) too ended in green driven by banking stocks. It is trading higher today inline 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	(3)	4	14	29	(93)
UK	0.22	(4)	(6)	(3)	12	(51)
Japan	0.05	0	1	2	2	22
Germany	(0.64)	(1)	(6)	(10)	(12)	(29)
India	5.89	1	5	(11)	5	(58)
China	3.19	0	0	4	24	(11)
2Y yields (Δ bps)						
US	0.15	0	1	3	5	(143)
UK	(0.07)	(4)	(4)	(4)	0	(62)
Japan	(0.11)	0	2	2	1	15
Germany	(0.81)	(1)	(5)	(10)	(11)	(16)
India	4.19	0	4	(18)	0	(133)
China	2.75	3	11	15	54	8
Currencies (Δ %)						
EUR	1.1641	(0.1)	(1.4)	(0.6)	(1.0)	4.6
GBP	1.2917	(0.2)	(0.8)	(0.1)	(1.2)	0.3
JPY	104.72	(0.1)	0.1	0.5	1.2	3.6
AUD	0.7055	0.4	(1.0)	(1.5)	(1.0)	2.5
INR	74.44	(0.4)	(0.8)	(1.8)	0.8	(5.2)
CNY	6.6909	0	0.3	1.5	4.2	4.8
Equity & Other indices (Δ %)						
Dow	26,925	1.6	(2.7)	(2.7)	1.0	(2.0)
FTSE	5,655	1.4	(2.4)	(4.2)	(6.3)	(23.3)
DAX	11,788	2.0	(3.2)	(7.1)	(6.8)	(10.3)
NIKKEI	23,295	1.4	(0.8)	1.2	5.0	1.9
Shanghai Comp	3,225	0	(0.8)	0.2	(4.2)	8.4
SENSEX	39,758	0.4	(1.0)	2.7	7.6	(1.4)
Brent (US\$/bbl)	38.97	4.0	(3.7)	(0.8)	(11.7)	(37.3)
Gold (US\$/oz)	1,895	0.9	(0.3)	(0.2)	(4.1)	25.5
CRB Index	409.2	(0.1)	(1.5)	1.4	8.2	4.8
Rogers Agri Index	782.1	(0.1)	(2.3)	4.1	11.6	7.2
LIBOR (3M)*	0.22	0	(1)	(2)	(3)	(169)
INR 5Y Swap*	5.17	(2)	(4)	(25)	2	(140)
India FII data (US\$ mn)						
	29 Oct	28 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	64.9	(86.8)	(167.5)	450.1	(14,229.7)	(4,470.2)
FII-Equity	(190.1)	(118.2)	193.4	2,506.4	6,546.5	13,149.4

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

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