

MACRO DAILY

04 November 2020

Macro developments

- India's exports fell by 5.4% in Oct'20 from an increase of 6% in Sep'20 as per preliminary data. While oil exports declined by 53.3%, non-oil exports too decelerated to 1.8% versus an increase of 6.1% in Sep'20. Imports showed a steady recovery and contracted by only 11.6% versus a dip of 19.6% led by higher gold and non-oil-non-gold imports. As a result, trade deficit rose to a 7-month high of US\$ 8.8bn from US\$ 2.7bn in Sep'20.
- Australia's retail sales fell by 1.1% in Sep'20 on a MoM basis, from a 4% fall in Aug'20. The decline was led by household goods retailing (3.6% decline) and food retailing (1.5% decline). However, sales volumes in cafes and restaurants and retail stores improved by 3.5% and 1% respectively. On a QoQ basis, retail sales rose by 6.5% in Q3CY20 from a decline of 3.5% in Q2. This raises hope of a stronger rebound in economic activity in Q3.
- China's services PMI expanded for the 6th straight month and rose to 56.8 in Oct'20 from 54.8 in Sep'20. This was largely led by strong domestic demand and pick-up in hiring activity, signalling recovery in labour market. However, export demand continued to remain in contraction amidst resurgence in Covid-19 cases globally.

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Markets

- Bonds:** Barring China and Japan (flat), other global yields closed higher. US 10Y climbed up by 6bps in the run up to the US presidential elections. This was followed by UK (5bps) and Germany (2bps). Crude prices rose by 1.9% (US\$ 39.7/bbl) as Russia is expected to extend output cuts till Mar'21. India's 10Y yield rose by 1bps to 5.9% led by global cues. It is trading at 5.88% today.
- Currency:** Global currencies closed higher against the dollar. DXY fell sharply by 0.6% ahead of the US elections result. AUD and GBP rose the most by 1.5% and 1.1% respectively. INR closed flat. However, it is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended higher ahead of the US elections result. Amongst other indices, Dax (2.6%) gained the most followed by FTSE (2.3%) and Dow (2.1%). Sensex (1.3%) too ended in green led by advancement in banking and metal stocks. It is trading higher 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	0.90	6	13	20	39	(96)
UK	0.27	5	4	3	20	(50)
Japan	0.05	0	1	2	3	17
Germany	(0.62)	2	(1)	(8)	(7)	(31)
India	5.90	1	5	(10)	12	(62)
China	3.18	0	1	3	24	(7)
2Y yields (Δ bps)						
US	0.17	1	2	4	6	(146)
UK	(0.04)	3	1	(1)	3	(63)
Japan	(0.11)	0	2	2	1	12
Germany	(0.79)	1	(2)	(9)	(9)	(16)
India	4.18	(1)	(1)	(19)	(1)	(135)
China	2.72	(3)	5	12	51	7
Currencies (Δ %)						
EUR	1.1715	0.6	(0.7)	0	(0.7)	5.8
GBP	1.3059	1.1	0.1	1.0	(0.1)	1.4
JPY	104.49	0.2	(0.1)	0.8	1.2	4.3
AUD	0.7164	1.5	0.5	0	0.1	3.9
INR	74.41	0	(0.9)	(1.7)	0.9	(5.3)
CNY	6.6776	0.2	0.4	1.7	4.2	4.7
Equity & Other indices (Δ %)						
Dow	27,480	2.1	0.1	(0.7)	2.4	0
FTSE	5,787	2.3	1.0	(2.0)	(4.1)	(21.7)
DAX	12,089	2.6	0.2	(4.7)	(4.1)	(8.1)
NIKKEI	23,295	1.4	(0.8)	1.2	3.2	0.2
Shanghai Comp	3,271	1.4	0.5	1.6	(3.0)	9.3
SENSEX	40,261	1.3	(0.6)	4.0	6.8	0.0
Brent (US\$/bbl)	39.71	1.9	(3.6)	1.1	(10.6)	(36.9)
Gold (US\$/oz)	1,909	0.7	0.1	0.5	(5.4)	28.7
CRB Index	411.3	0.5	(0.7)	1.9	9.6	5.3
Rogers Agri Index	788.3	0.8	(1.5)	4.9	13.3	7.8
LIBOR (3M)*	0.22	0	1	(1)	(3)	(167)
INR 5Y Swap*	5.22	5	(1)	(20)	7	(133)
India FII data (US\$ mn)						
	2 Nov	29 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	(47.8)	64.9	(47.8)	(47.8)	(14,277.5)	(4,518.0)
FII-Equity	115.2	(190.1)	115.2	115.2	6,661.7	13,264.6

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

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