

MACRO DAILY

08 December 2020

Macro developments

- Domestic LPG price (non-subsidised) has risen by Rs 50 to Rs 644/cylinder in Dec'20. In the CPI basket, fuel and light has a weight of 6.84% and inflationary pressure is noticed since Sep'20. In view of rising crude prices (5.9% in Nov'20 & 3.5% in Dec'20), retail petrol (up by Rs 1.28/ltr in Dec'20) and diesel prices (Rs 1.96/ltr), fuel component may pose significant upside risk to inflation print in the coming months.
- Germany's industrial production in Oct'20 rose by 3.2% on MoM basis from 2.3% in Sep'20. This was led by manufacturing sector, wherein auto production rose the most (9.9%). Production of intermediate (4%) and capital goods (5.2%) also picked up while that of consumer goods fell (2.4%). Overall production was still down by 4.9% from Feb'20 levels.
- Japan's Q3CY20 GDP print was revised upward from 21.4% to 22.9% on a QoQ annualized basis, driven by higher than previously estimated private consumption (5.1% versus 4.7% in preliminary estimate). This was mainly supported by 'Go To Travel' and 'Go To Eat' programs, which offered steep discounts on hotels and dining out. In Oct'20 as well, spending remained steady with 1.9% YoY increase, led by automobiles and refrigerators.

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Markets

- Bonds:** Global yields closed mixed amidst talks of US stimulus and Brexit negotiations. UK 10Y yield fell the most by 7bps (0.28%) followed by US (4bps drop to 0.92%). Crude prices fell by 0.9% (US\$ 49/bbl) amidst concerns of muted demand. India's 10Y yield rose by 2bps (5.92%) due to inflationary concerns. It is trading flat today.
- Currency:** Barring JPY and CNY, other global currencies closed lower against the dollar. DXY inched up by 0.1%. GBP (0.5%) fell the most as investors closely monitored Brexit negotiations. INR fell by 0.1%. However, it is trading higher today while other Asian currencies are trading mixed.
- Equity:** Except FTSE and Sensex, other global indices ended lower amidst uncertainty over Brexit trade deal. Amongst other indices, both Nikkei and Shanghai Comp fell by 0.8% each followed by Dow (0.5%). However, Sensex (0.8%) continued its bull run led by tech and consumer durable stocks. It is trading higher today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.92	(4)	8	10	20	(90)
UK	0.28	(7)	(2)	1	4	(48)
Japan	0.02	0	(1)	0	(2)	3
Germany	(0.58)	(3)	(1)	4	(12)	(28)
India	5.92	2	1	5	(7)	(75)
China	3.30	(1)	2	9	15	9
2Y yields (Δ bps)						
US	0.14	(1)	(1)	(1)	0	(147)
UK	(0.08)	(4)	(5)	(4)	2	(65)
Japan	(0.13)	(1)	(1)	1	(1)	(1)
Germany	(0.76)	(1)	(2)	2	(6)	(12)
India	3.92	6	0	(19)	(49)	(181)
China	2.88	1	1	13	27	27
Currencies (Δ %)						
EUR	1.2109	(0.1)	1.5	2.0	2.5	9.4
GBP	1.3380	(0.5)	0.4	1.7	1.6	1.8
JPY	104.05	0.1	0.2	(0.7)	2.1	4.2
AUD	0.7421	(0.1)	1.0	2.2	2.0	8.8
INR	73.90	(0.1)	0.2	0.4	(0.8)	(4.0)
CNY	6.5297	0	0.7	1.3	4.4	7.2
Equity & Other indices (Δ %)						
Dow	30,070	(0.5)	1.5	6.2	6.9	7.7
FTSE	6,555	0.1	4.6	10.9	10.4	(9.4)
DAX	13,271	(0.2)	(0.2)	6.3	1.3	1.3
NIKKEI	26,547	(0.8)	0.4	9.1	15.0	13.3
Shanghai Comp	3,417	(0.8)	0.7	3.2	3.8	17.2
SENSEX	45,427	0.8	2.9	8.4	18.2	12.2
Brent (US\$/bbl)	48.79	(0.9)	2.5	23.7	16.1	(24.1)
Gold (US\$/oz)	1,863	1.3	4.8	(4.5)	(3.7)	27.4
CRB Index	427.3	0	(0.3)	2.8	7.2	9.3
Rogers Agri Index	818.7	0	(0.6)	2.5	11.2	12.5
LIBOR (3M)*	0.23	0	0	2	(2)	(166)
INR 5Y Swap*	5.20	2	2	13	(42)	(132)
India FII data (US\$ mn)						
	4 Dec	3 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(13.7)	376.1	253.3	253.3	(14,365.8)	(4,606.3)
FII-Equity	428.5	498.8	1,430.8	1,430.8	17,536.5	24,139.5

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

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