MACRO DAILY

29 September 2020

Macro developments

- In an effort to boost SCBs liquidity, RBI has extended the MSF relaxation till 31 Mar 2021 from 30 Sep 2020 earlier. Under this facility, RBI had increased the borrowing limit for SCBs from 2% to 3% of NDTL in Mar'20. This is expected to provide liquidity of Rs 1.49tn. Earlier as well through MSF cut, liquidity worth Rs 1.37tn has already been infused.
- In the ongoing Kharif marketing season (2020-21), government has already procured paddy worth Rs 0.1bn in over 2 days at MSP of Rs 1,868 per quintal. This comes in the wake of the farm bills passed by the government wherein concerns were raised over continuation of MSP. Government has kept the procurement target of 49.5mn ton for this year, compared with actual procurement of 51mn ton in 2019-20 (as of now).
- World Bank expects GDP growth in East Asia and Pacific (EAP) to moderate to 0.9% in CY20, slowest pace since CY67 versus 5.8% in CY19. China is expected to grow by 2% in CY20 versus 6.1% in CY19 supported by government spending, exports and effective containment of COVID-19. GDP growth in rest of EPAC is expected to contract by 3.5% led by a sharp contraction in tourism and trade.

Markets

- **Bonds:** Global yields closed mixed as Democratic lawmakers unveiled a new US$ 2.2tn relief bill. US 10Y yield closed flat at 0.65%. UK 10Y yield rose by 1bps (0.2%) over optimism surrounding Brexit. Crude prices rose by 1.2% (US$ 42/bbl). India's 10Y yield rose by 2bps (6.06%) ahead of release of H2 borrowing calendar. It is trading at 6.07% today.
- **Currency:** Except INR, global currencies closed higher against the dollar. DXY fell by 0.4% ahead of the US presidential debate. GBP rose by 0.7% as EU and UK started negotiations on Brexit trade deal. EUR also climbed by 0.3%. INR on the other hand depreciated by 0.2% as oil prices rose. It is trading higher today while other Asian currencies are trading lower.
- **Equity:** Barring Shanghai Comp, other global indices ended higher ahead of US presidential debate and positive macro prints reported by China (industrial profit). Dax (3.2%) gained the most followed by Dow (1.5%). Sensex rose by 1.6%, led by power, banking and auto stocks. It is trading higher today while other Asian stocks are trading mixed.

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FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.65	0	(1)	(7)	3	(101)
UK	0.20	1	5	(11)	4	(29)
Japan	0.02	1	1	(4)	1	24
Germany	(0.53)	0	0	(12)	(6)	4
India	6.06	2	4	(9)	15	(65)
China	3.12	(2)	2	4	26	(2)
2Y yields (Δ bps)						
US	0.13	0	(1)	0	(2)	(150)
UK	(0.06)	1	7	0	3	(42)
Japan	(0.14)	1	0	(3)	(1)	18
Germany	(0.70)	0	2	(4)	(1)	6
India	4.44	0	0	(4)	20	(134)
China	2.59	0	(1)	8	46	4
Currencies (Δ %)						
EUR	1.1666	0.3	(0.9)	(2.0)	3.8	7.0
GBP	1.2834	0.7	0.1	(3.9)	4.4	4.4
JPY	105.50	0.1	(0.8)	(0.1)	1.9	2.4
AUD	0.7071	0.6	(2.1)	(4.0)	3.0	4.8
INR	73.79	(0.2)	(0.5)	(0.5)	2.4	(4.1)
CNY	6.8113	0.2	(0.1)	0.8	3.8	4.7
Equity & Other indices (Δ %)						
Dow	27,584	1.5	1.6	(3.7)	7.8	2.5
FTSE	5,928	1.5	2.1	(0.6)	(4.8)	(20.0)
DAX	12,871	3.2	2.6	(1.2)	5.2	3.6
NIKKEI	23,512	1.3	0.6	2.7	6.9	8.1
Shanghai Comp	3,218	(0.1)	(3.0)	(5.5)	8.6	10.8
SENSEX	37,982	1.6	(0.1)	(3.8)	8.6	(1.8)
Brent (US$/bbl)	42.43	1.2	2.4	(5.8)	1.7	(30.2)
Gold (US$/oz)	1,881	1.1	(1.6)	(4.2)	6.1	27.8
CRB Index	403.5	0.3	(1.0)	2.7	12.4	4.1
Rogers Agri Index	742.5	(0.2)	(0.7)	0.6	11.6	4.2
LIBOR (3M)*	0.22	(2)	(1)	(2)	(8)	(187)
INR 5Y Swap*	5.44	(4)	(12)	(28)	16	(94)
India FII data (US$ mn)	**25 Sep**	**24 Sep**	**WTD**	**MTD**	**CYTD**	**FYTD**
FII-Debt	71.0	(3.4)	185.9	543.2	(14,546.8)	(4,787.3)
FII-Equity	(437.4)	(225.3)	(1,470.1)	(658.3)	4,149.1	10,752.1

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

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