MACRO DAILY

03 December 2020

Macro developments

- India's exports fell further in Nov'20 by 9.1% versus 5.1% drop in Oct'20. Oil exports fell much sharply by 63.8% (52% decline in Oct'20). India's imports contracted further by 13.3% in Nov'20 compared with a decline of 11.5% in Oct'20. This was led by 43.4% decline in oil imports versus 38.5% dip in Oct'20. However, non-oil-non-gold imports rose in double digits to 10.7% in Nov'20 from 0.9% in Oct'20.
- Employment scenario in both the Euro area and EU improved in Oct'20. In the Euro area, unemployment rate dropped to 8.4% in Oct'20 from 8.5% in Sep'20. While in the EU, it remained stable at 7.6% in Oct'20. This print has come as a respite amidst rising Covid-19 cases in the region and uncertainty over stimulus.
- Services activity in China also gained pace as the Caixin PMI reading rose to 57.8 in Nov'20 (est.: 56.3) against 56.8 in Oct'20. This was led by new business which expanded at its quickest pace since Apr'10, with new export orders expanding for the first time in five months. Business confidence also strengthened for the third month in a row. Input cost pressure and employment picked up.

Markets

- **Bonds:** Barring India, other global yields closed higher on vaccine optimism. Both US and UK 10Y yield rose by 1bps each on expectation of US stimulus and trade deal with EU, respectively. Crude prices rose by 1.8% (US$ 48.2/bbl) as OPEC+ resumed talks on output. India's 10Y yield fell by 1bps (5.92%) and is trading at the same level today.
- **Currency:** Global currencies closed mixed. DXY dropped to more than 2-year low (0.2%) riding on hopes of vaccine and US stimulus. AUD rose by 0.6% as economy showed early signs of recovery. INR slipped by 0.2% as oil prices inched up. It is trading further lower today while Asian currencies are trading mixed.
- **Equity:** Global indices closed mixed. Expectation over US fiscal stimulus, ongoing Brexit negotiations and hopes of recovery surrounding potential vaccine, impacted investor sentiments. Amongst other indices, Dax fell the most (0.5%) followed by Shanghai Comp (0.1%). Sensex too fell by 0.1% led by banking stocks. However, it is trading higher today in line with other Asian stocks.

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FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.94	1	5	6	29	(84)
UK	0.35	1	4	9	12	(39)
Japan	0.03	1	1	(2)	(2)	6
Germany	(0.52)	1	5	11	(5)	(20)
India	5.92	(1)	4	4	0	(55)
China	3.32	2	2	13	21	12
2Y yields (Δ bps)						
US	0.16	(1)	0	1	3	(141)
UK	(0.03)	(1)	0	1	9	(60)
Japan	(0.12)	0	2	(1)	(2)	3
Germany	(0.72)	0	3	8	(2)	(9)
India	3.93	0	3	(27)	(44)	(145)
China	2.89	3	(7)	16	38	27
Currencies (Δ %)						
EUR	1.2115	0.4	1.7	4.0	2.2	9.4
GBP	1.3365	(0.4)	(0.1)	3.2	0.1	2.0
JPY	104.42	(0.1)	0	0.2	1.7	4.1
AUD	0.7416	0.6	0.7	5.5	1.1	8.3
INR	73.80	(0.2)	0.2	0.4	(1.1)	(3.2)
CNY	6.5630	0.1	0.2	1.9	4.0	6.9
Equity & Other indices (Δ %)						
Dow	29,884	0.2	0	12.8	2.7	8.1
FTSE	6,463	1.2	1.1	15.9	8.8	(10.1)
DAX	13,313	(0.5)	0.2	15.2	0.5	1.3
NIKKEI	26,801	0.1	1.9	16.6	15.3	15.8
Shanghai Comp	3,449	(0.1)	2.6	7.0	1.3	19.8
SENSEX	44,618	(0.1)	1.8	12.6	14.2	9.2
Brent (US$/bbl)	48.25	1.8	(0.7)	28.8	8.6	(23.4)
Gold (US$/oz)	1,831	0.9	1.3	(2.5)	(5.7)	24.2
CRB Index	426.8	(0.1)	(0.1)	4.2	7.8	10.4
Rogers Agri Index	820.0	0.2	(0.7)	4.7	10.6	13.4
LIBOR (3M)*	0.23	0	0	2	(2)	(166)
INR 5Y Swap*	5.19	1	(1)	-	(34)	(112)
India FII data (US$ mn)	**1 Dec**	**27 Nov**	**WTD**	**MTD**	**CYTD**	**FYTD**
FII-Debt	(63.0)	(81.6)	(63.0)	(63.0)	(14,682.2)	(4,922.7)
FII-Equity	481.3	1,237.5	481.3	481.3	16,587.0	23,190.0

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

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