

## THE MACROSCOPE

24<sup>th</sup> December 2020

Issue#4

### *Issue Highlights:*

#### **What stands out:**

After a crude 2020, Oil prices may still see friction next year

#### **Charts in Focus:**

Long-awaited fiscal stimulus to aid pandemic-hit normalization

Stimulus driven revival under way; pandemic threatens pace of recovery

China continues to lead the recovery race

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WHAT STANDS OUT...

- Fresh stimulus packages from both U.S. & Europe combined with Vaccine approvals has further manifested expectations of a global economic recovery
- The alleviated stress levels can be understood with a lower U.S. Dollar Index (down 9%) and higher Oil prices (up 130%) since March 2020. We have seen Oil prices move higher as Economic recovery ensues (Figure 1) as economic growth has a strong impact on oil consumption (Figure 2).
- However, as 2021 sets itself up to be a year of economic recoveries, crude oil may witness significant volatility

- Fresh lockdowns may stunt economic recovery in the short term which could impact oil prices (Figure 3)
- Shift to renewable energy could hinder long term oil demand
- Global oil production volatility may keep prices rangebound

Figure 1

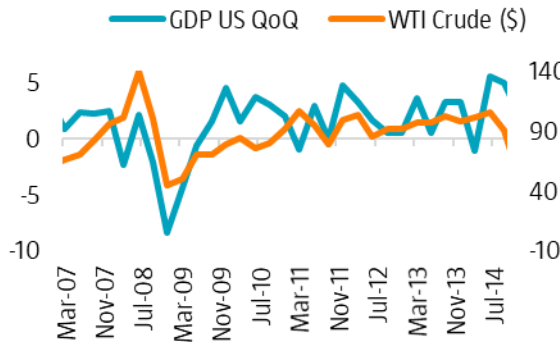


Figure 2

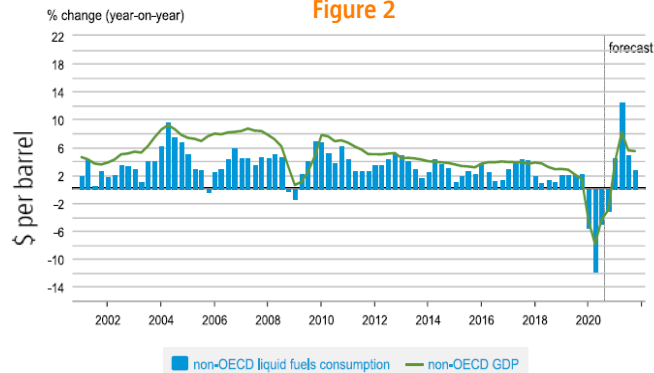


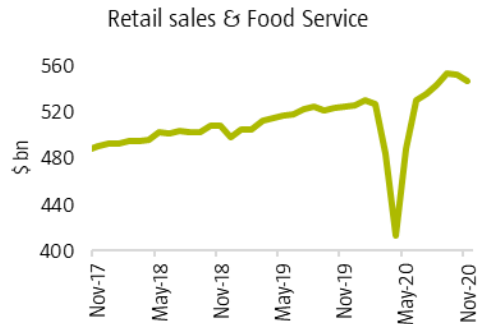
Figure 3



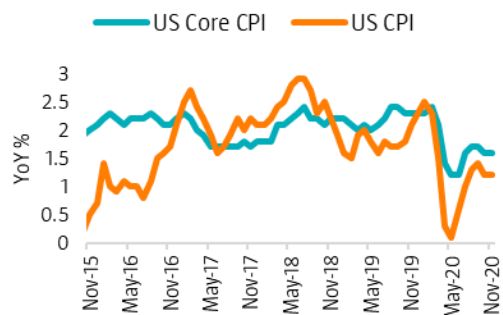
After a crude 2020, Oil prices may still see friction next year

## CHARTS IN FOCUS – U.S.

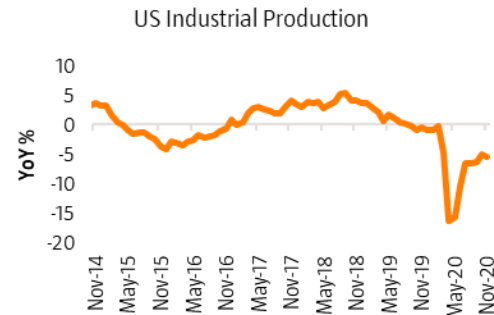
Slowdown in consumer spending; but Retail sales maintain normalization trend



Modest rise in inflation in line with expectations; however new fiscal package to aid inflationary pressures build up



Moderation in industrial growth numbers reflects short term impact of fresh wave of cases

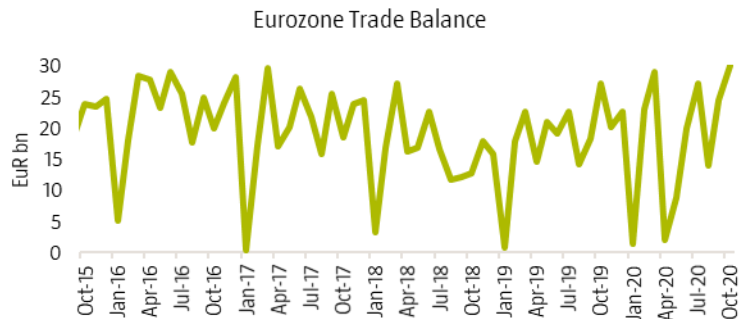


- ✓ The third wave of Covid-19 cases seem to have disrupted the typical seasonal pattern led recovery in Retail Sales numbers as they fell 1.1% on a month-on-month basis in November. The weakness was driven by dismal clothing, auto and restaurant sales due to fresh lockdowns
- ✓ Fresh restrictions on account of third Covid-19 wave slowed Industrial production growth marginally. However, availability of vaccines is expected to keep this impact ephemeral in nature.
- ✓ The Federal Reserve remained optimistic in its outlook as it pledged to maintain its accommodative stance. They revised the GDP forecast for 2020 upwards from -3.7% to -2.4%
- ✓ After months of discussions and negotiations, U.S. Congress finally approved a \$900bn stimulus relief package which includes a USD 600 direct stimulus payment to eligible Americans along with benefits under Paycheck protection program. This is likely to fuel inflationary expectation in the near future

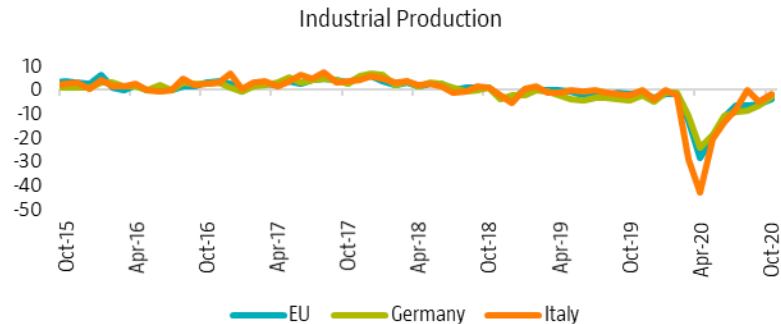
**Long-awaited fiscal stimulus to aid pandemic-hit normalization**

CHARTS IN FOCUS – EUROZONE

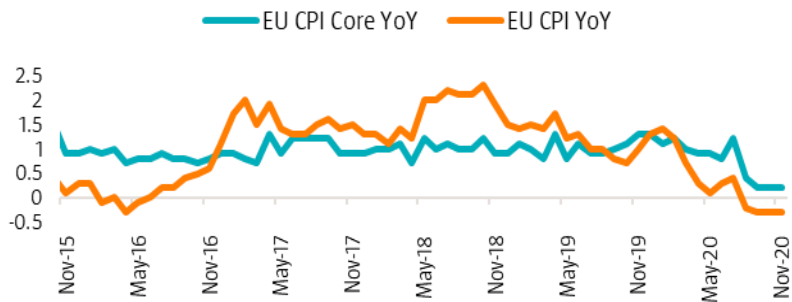
Eurozone trade surplus came in at EUR 30 bn; highest levels in the last 5 years



..also the strong export demand globally saw industrial production numbers being resilient for export-oriented companies despite fresh lockdowns



The Euro inflation (both headline and core) trend showed first signs of consolidation as it remained stable around previous month levels.

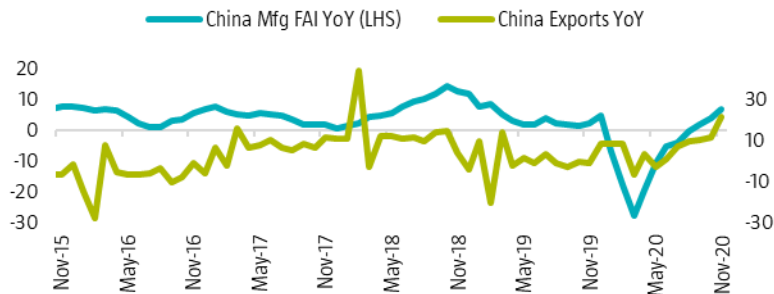


- ✓ Trade balance sprung back to pre-Covid levels as exports recovered faster than imports within the Eurozone
- ✓ The ECB appeased market sentiments as it announced a €605 bn stimulus package which takes the total of the COVID-related quantitative-easing effort to €1.85 trillion
- ✓ The pandemic emergency package could arrest the recent appreciation in Euro against the U.S. Dollar thus supporting ECB’s objective of attaining higher inflation

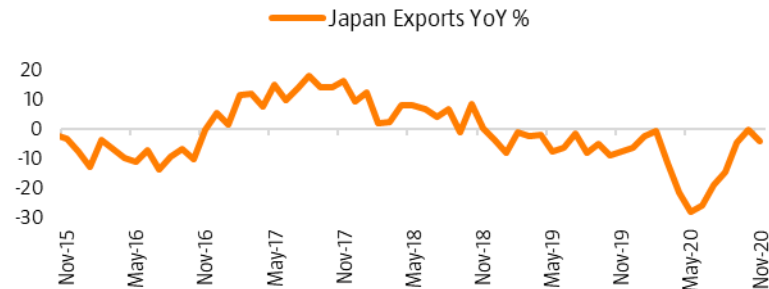
Stimulus driven revival under way; pandemic threatens pace of recovery

## CHARTS IN FOCUS – ASIA

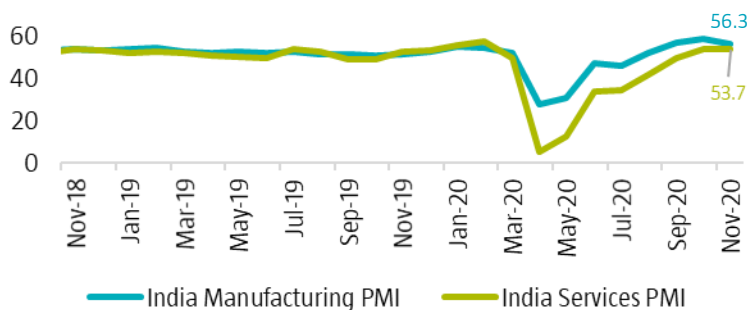
China's manufacturing led recovery driven by global demand; can be seen from robust exports growth this year



Dismal capital goods demand keep Japan's exports in the red for the 24<sup>th</sup> straight month; economic recovery trundles on



Moderation in PMIs seen post festive season; domestic demand revival was encouraging as Services PMI held up



- ✓ China's exports grew at its fastest pace in almost 3 years due to surge in global demand for consumer goods, especially electronic goods
- ✓ Even as consumer goods demand benefitted China, Japan continued to suffer due to weak capital goods demand amid lockdowns in U.S. and Europe. As vaccinations progress in these pandemic affected regions, we can expect e
- ✓ Resilience in Indian domestic demand continued as Services PMI remained in expansion mode even post festive demand due to no lockdowns as infections remained under control; even as exports disappointed

China continues to lead the recovery race

## INDICATORS IN FOCUS – U.S. & EUROPE

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>UNITED STATES</b>									
U. of Mich. Sentiment	71.80	72.30	78.10	72.50	74.10	80.40	81.80	76.90	81.40
Retail Sales Advance MoM	-14.70	18.30	8.60	1.10	1.40	1.70	-0.10	-1.10	
Industrial Production YoY	-16.26	-15.72	-10.50	-6.59	-6.55	-6.28	-5.00	-5.50	
Trade Balance	-51.89	-55.59	-51.21	-61.41	-64.92	-62.08	-63.12		
Wards Total Vehicle Sales	8.58	12.21	13.05	14.52	15.19	16.34	16.21	15.55	
New Home Sales	570	698	840	979	1001	1002	999		
Housing Starts	934	1038	1265	1487	1373	1437	1528	1547	
PCE Core Deflator YoY	0.93	1.01	1.14	1.27	1.45	1.56	1.41		
PCE Deflator YoY	0.50	0.50	0.90	1.00	1.30	1.40	1.20		
Change in Nonfarm Payrolls	-20787	2725	4781	1761	1493	711	610	245	
Unemployment Rate	14.70	13.30	11.10	10.20	8.40	7.90	6.90	6.70	
Markit US Manufacturing PMI	36.10	39.80	49.80	50.90	53.10	53.20	53.40	56.70	56.50
<b>EUROZONE</b>									
Germany IFO Business Climate	75.4	80.4	86.2	90.2	92.4	93.2	92.5	90.9	92.1
Eurozone Consumer Confidence	-22.00	-18.80	-14.70	-15.00	-14.70	-13.90	-15.50	-17.60	-13.90
Bank of France Ind. Sentiment	51.03	84.16	89.49	99.15	105.29	100.94	97.00	96.00	
France Industrial Production YoY	-35	-23.3	-11.4	-8.3	-6.3	-5.9	-4.2		
Italy Retail Sales YoY	-26.84	-10.18	-2.35	-7.06	1.02	1.39	2.92		
Netherlands Mfg Production YoY	-10.90	-12.10	-9.70	-4.90	-3.80	-6.60	-3.70		
France Trade Balance	-5056.00	-7520.00	-8189.00	-6987.00	-7195.00	-5587.00	-4845.44		
Italy New Car Registrations YoY	-97.55	-49.55	-23.03	-10.88	-0.29	9.65	-0.09	-8.34	
Spain CPI YoY	-0.70	-0.90	-0.30	-0.60	-0.50	-0.40	-0.80	-0.80	
Eurozone CPI YoY	0.30	0.10	0.30	0.40	-0.20	-0.30	-0.30	-0.30	
Germany CPI YoY	0.90	0.60	0.90	-0.10	0.00	-0.20	-0.20	-0.30	
Netherlands Unemployment Rate	3.40	3.60	4.30	4.50	4.60	4.40	4.30	4.00	
Eurozone Unemployment Rate	7.20	7.70	7.90	8.70	8.60	8.50	8.40		
Markit Eurozone Composite PMI	13.60	31.90	48.50	54.90	51.90	50.40	50.00	45.30	49.80

## INDICATORS IN FOCUS – ASIA

	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
<b>INDIA</b>									
CPI YoY	5.84	7.30	6.27	6.23	6.73	6.69	7.27	7.61	6.93
Core CPI YoY	3.95	4.85	5.00	5.33	5.87	5.77	5.66	5.76	5.79
Nikkei India PMI Mfg	51.80	27.40	30.80	47.20	46.00	52.00	56.80	58.90	56.30
Nikkei India PMI Services	49.30	5.40	12.60	33.70	34.20	41.80	49.80	54.10	53.70
GST Collection (Rs. cr)	97597	32294	62009	90917	87422	86449	95480	105155	104963
Imports YoY	-28.72	-58.65	-51.05	-47.59	-28.4	-26	-19.6	-11.53	-13.32
Exports YoY	-34.57	-60.28	-36.47	-12.41	-10.21	-12.7	6.0	-5.1	-8.7
Non-oil & non-gold imports YoY	-30.45	-52.17	-33.76	-41.37	-29.15	-29.60	-12.63	-5.25	-1.67
Gold Imports(USD mn)	-62.64	-99.93	-98.40	-77.42	4.17	171.27	-52.85	35.88	2.65
E-Way Bills (INR crs.)	-24.72	-83.61	-53.03	-12.71	-7.29	-3.47	9.60	21.40	3.76
Indian Forex Reserves(USD mn)	475.60	479.50	493.50	506.80	534.57	541.40	542.00	560.70	574.82
Currency Circulation YoY	14.50	15.70	18.40	20.60	22.20	23.20	22.70	20.30	22.22
Passenger auto sales	-51.00	-100.00	-86.40	-53.30	-12.80	13.60	43.80		
Cement output YoY	-25.06	-85.25	-21.43	-6.83	-13.45	-14.56	-3.50	2.85	
Steel Production	-21.97	-82.80	-40.42	-23.23	-6.46	-1.73	2.76	-2.74	
Index of Industrial Production YoY	-18.67	-57.31	-33.38	-16.55	-10.77	-7.37	0.24		
<b>CHINA</b>									
Caixin China PMI Composite	46.70	47.60	54.50	55.70	54.50	55.10	54.50	55.70	57.50
Caixin China PMI Services	43.00	44.40	55.00	58.40	54.10	54.00	54.80	56.80	57.80
Exports YoY	-3.20	0.50	7.20	9.50	9.90	11.40	21.10		
Imports YoY	-16.60	2.70	-1.40	-2.10	13.20	4.70			
Trade Balance	63.03	46.42	62.33	58.93	37.00	58.44	75.43		
CPI YoY	4.30	3.30	2.40	2.50	2.70	2.40	1.70	0.50	-0.50
Industrial Production YoY	4.40	4.80	4.80	5.60	6.90	6.90	7.00		
Retail Sales YoY	-2.80	-1.80	-1.10	0.50	3.30	4.30	5.00		
Manufacturing PMI	52.00	50.80	50.60	50.90	51.10	51.00	51.50	51.40	52.10
<b>JAPAN</b>									
Vehicle Sales YoY	-10.20	-25.50	-40.20	-26.00	-20.40	-18.50	-15.60	31.60	6.00
Jobless Rate	2.50	2.60	2.90	2.80	2.90	3.00	3.00	3.10	
Job-To-ApPLICANT Ratio	1.39	1.32	1.20	1.11	1.08	1.04	1.03	1.04	
Money Stock M2 YoY	3.20	3.70	5.10	7.20	7.90	8.60	9.00	9.00	9.10
Industrial Production YoY	-5.20	-15.00	-26.30	-18.20	-15.50	-13.80	-9.00	-3.00	
Exports YoY	-11.70	-21.90	-28.30	-26.20	-19.20	-14.80	-4.90	-0.20	-4.20
Imports YoY	-5.00	-7.10	-26.10	-14.40	-22.30	-20.70	-17.40	-13.30	-11.10
Natl CPI YoY	0.40	0.10	0.10	0.10	0.30	0.20	0.00	-0.40	-0.90
Jibun Bank Japan PMI Composite	36.20	25.80	27.80	40.80	44.90	45.20	46.60	48.00	48.10
Retail Sales YoY	-4.70	-13.90	-12.50	-1.30	-2.90	-1.90	-8.70	6.40	

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