

## THE MACROSCOPE

07<sup>th</sup> December 2020

Issue#3

### *Issue Highlights:*

#### What stands out:

- Until the vaccine is widely distributed; economy may see some loss of momentum

#### Charts in Focus:

- US Housing recovery fades amid rising prices and falling savings
- Second wave of Pandemic dents recovery
- Demand recovery in India remains on course

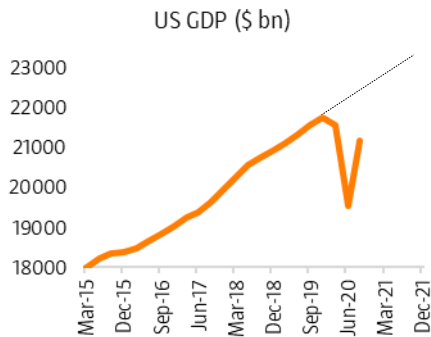
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## WHAT STANDS OUT...

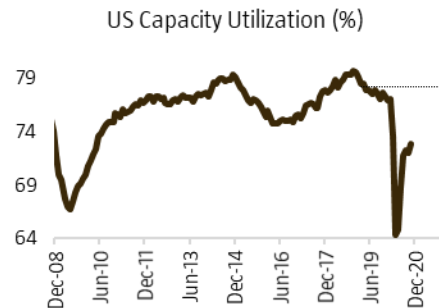
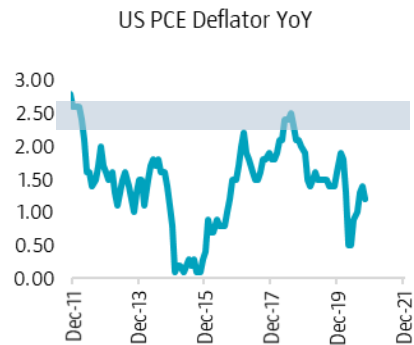
While there is reason for optimism, one should not undermine the possibility of hitting some speed bumps. We have seen an almost cohesive pent-up demand driven normalization across both DMs and EMs. This resounding up-move is accompanied with news of very encouraging interim results of multiple Covid-19 vaccines. However, rising second wave of Covid-19 cases has the potential to delay complete normalization.

US GDP has shown signs of strong recovery but the **rampant third wave of Covid-19 cases** and resultant deaths could easily **derail or delay its move back to trend**



According to the November FOMC minutes, **only half of the jobs lost over March & April 2020 have regained**. Frequent lockdowns could keep the labor market recovery pace moderate

A near zero interest rate policy & \$2.2 trillion fiscal stimulus has seen rise in inflationary pressure but the **shift from Savings to Spending is happening slowly**

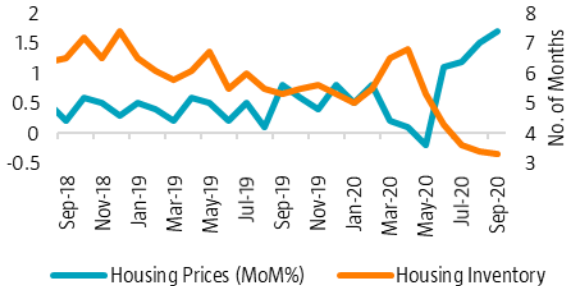


Overall domestic demand recovery is critical for capacity utilization, something which has been seen on the manufacturing front. **However, it remains more than 6% lower than 2019 levels**

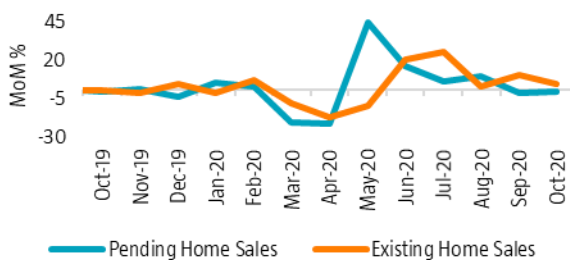
**Until the vaccine is widely distributed...economy may see some loss of momentum**

CHARTS IN FOCUS – U.S.

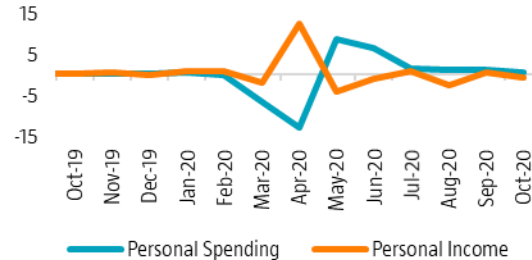
Lower inventory and higher prices have dented sustainable housing market recovery



Home sales have rebounded strongly but seem to be losing momentum

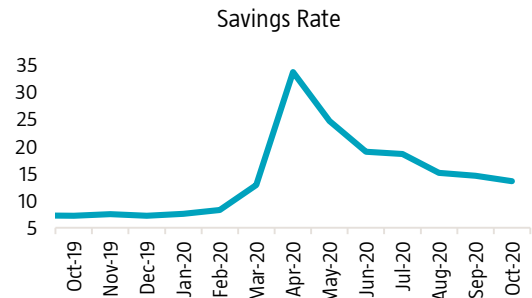


Delay in 2<sup>nd</sup> round of fiscal stimulus has seen incomes fall but spending has remained marginally positive



- ✓ Historically low mortgage rates have supported the Housing market recovery. However, the sharp rise in home prices amid falling inventory levels has started to dent the affordability of homes. Subsequently the 2<sup>nd</sup> consecutive month of negative pending home sales growth (MoM) is expected to result into a tepid existing home sales number in the near future.
- ✓ The wait for the second round of stimulus for U.S., which is the worst affected country due to Covid-19, has started to take its toll on spending patterns. While the first \$1200 stimulus cheques boosted personal income levels and helped the spending, there has been erosion of savings to fund the subsequent spending which could dent the pace of normalization

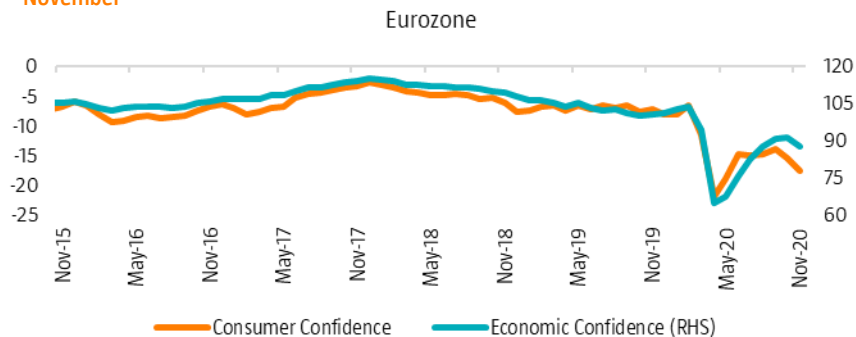
Lower income has seen consumers dig into their savings to fund their spending



Recovery in US housing markets fading as prices rise and household savings fall

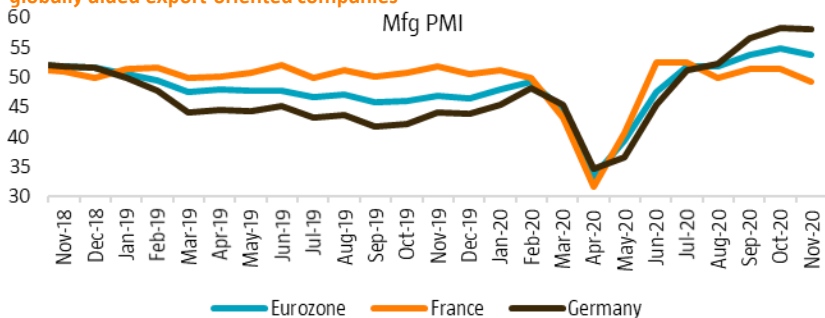
## CHARTS IN FOCUS – EUROZONE

Economic and Consumer Confidence in Eurozone deteriorated with the surge in cases in November

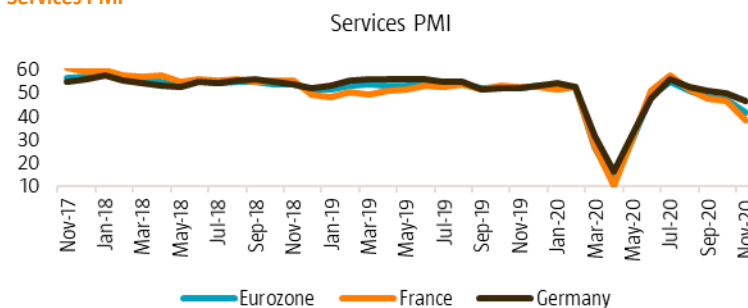


- ✓ The 2nd wave of Covid-19 cases in Eurozone has impinged on most other confidence indicators including consumer and economic confidence
- ✓ PMIs across the Eurozone moved lower compared to previous month ; All regions except Germany showed contraction i.e. <50
- ✓ Extension of restrictions from November into December could manifest into a weaker Services PMI in December as well. Loosening of all restrictions may depend on how quickly a substantial part of the population is vaccinated

Even as partial lockdowns impacted the manufacturing sector, strong demand globally aided export-oriented companies



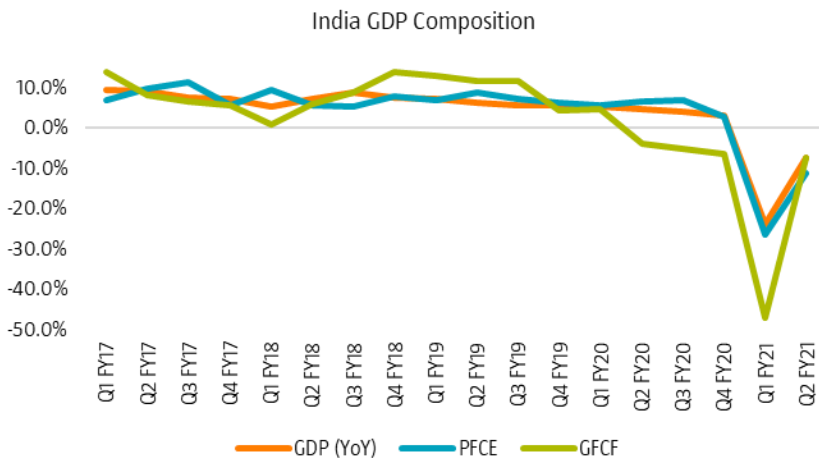
Closing of cafes and restaurants and restrictions on mobility took a toll on the Services PMI



## Second wave of Pandemic dents recovery

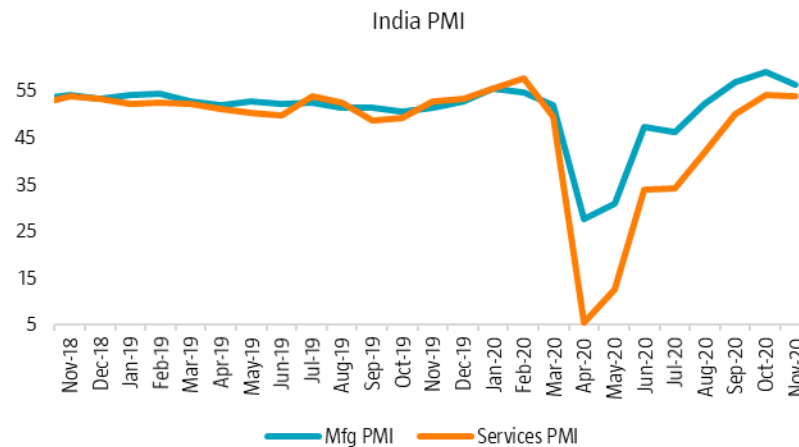
## CHARTS IN FOCUS – ASIA

India's GDP growth revival was led by private consumption and investment demand whereas Govt expenditure fell sharply in Q2 FY21



- ✓ From a decline of 23.9% in Q1, India's GDP contracted by 7.5% in Q2FY21.
- ✓ On the supply side (GVA), apart from Agriculture which continued to show growth, Manufacturing sector moved into the positive territory
- ✓ Investment rate (Capital Formation) improved strongly to move back to 31.7% of the GDP break-up compared with 24.4% in the previous quarter

Manufacturing PMI remained in expansion mode even as it touched a 3-month low in November; Services PMI held up at higher levels



- ✓ Recovery in the manufacturing sector as seen in the GDP numbers remained on track. However, aggregate new orders rose at the slowest pace in three months.
- ✓ All categories of the manufacturing sector have posted sequential growth with consumer durable the only sector to see growth rise better than October.

**Demand recovery in India remains on course**

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

	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
<b>UNITED STATES</b>									
U. of Mich. Sentiment	89.10	71.80	72.30	78.10	72.50	74.10	80.40	81.80	76.90
Retail Sales Advance MoM	-8.20	-14.70	18.30	8.60	1.10	1.40	1.60	0.30	
Industrial Production YoY	-4.70	-16.26	-15.72	-10.68	-6.72	-6.71	-6.73	-5.34	
Trade Balance	-46.10	-53.58	-57.86	-53.46	-63.37	-67.04	-63.86		
Wards Total Vehicle Sales	11.37	8.58	12.21	13.05	14.52	15.19	16.34	16.21	15.55
New Home Sales	612.00	570.00	698.00	840.00	979.00	1001.00	1002.00	999.00	
Housing Starts	1269.00	934.00	1038.00	1265.00	1487.00	1373.00	1459.00	1530.00	
PCE Core Deflator YoY	1.65	0.93	1.01	1.14	1.27	1.45	1.56	1.41	
PCE Deflator YoY	1.30	0.50	0.50	0.90	1.00	1.30	1.40	1.20	
Change in Nonfarm Payrolls	-1373.00	-20787.00	2725.00	4781.00	1761.00	1493.00	672.00	638.00	
Unemployment Rate	4.40	14.70	13.30	11.10	10.20	8.40	7.90	6.90	
Markit US Manufacturing PMI	48.50	36.10	39.80	49.80	50.90	53.10	53.20	53.40	56.70
<b>EUROZONE</b>									
Germany IFO Business Climate	86.6	75.4	80.4	86.2	90.2	92.4	93.2	92.5	90.7
Eurozone Consumer Confidence	-11.60	-22.00	-18.80	-14.70	-15.00	-14.70	-13.90	-15.50	-17.60
Bank of France Ind. Sentiment	54.85	51.18	84.21	89.51	99.08	105.16	100.76	96.85	
France Industrial Production YoY	-17.6	-35	-23.4	-11.5	-8.4	-6.4	-6		
Italy Retail Sales YoY	-18.9	-26.7	-10.5	-2.4	-7.1	1	1.29		
Netherlands Mfg Production YoY	-1.90	-10.90	-12.10	-9.70	-5.00	-3.60	-6.80		
France Trade Balance	-2918.00	-4959.00	-7411.00	-8094.00	-7005.00	-7707.00	-5745.40		
Italy New Car Registrations YoY	-85.39	-97.55	-49.55	-23.03	-10.88	-0.29	9.65	-0.09	-8.34
Spain CPI YoY	0.00	-0.70	-0.90	-0.30	-0.60	-0.50	-0.40	-0.80	-0.80
Eurozone CPI YoY	0.70	0.30	0.10	0.30	0.40	-0.20	-0.30	-0.30	-0.30
Germany CPI YoY	1.40	0.90	0.60	0.90	-0.10	0.00	-0.20	-0.20	-0.30
Netherlands Unemployment Rate	2.90	3.40	3.60	4.30	4.50	4.60	4.40	4.30	
Eurozone Unemployment Rate	7.40	7.20	7.70	7.90	8.70	8.60	8.50	8.40	
Markit Eurozone Composite PMI	29.70	13.60	31.90	48.50	54.90	51.90	50.40	50.00	45.30

## 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	7.22	6.27	6.23	6.73	6.69	7.3	7.61	
Core CPI YoY	3.95	4.85	5.00	5.33	5.87	5.77	5.66	5.77	
Nikkei India PMI Mfg	51.80	27.40	30.80	47.20	46.00	52.00	56.80	58.90	
Nikkei India PMI Services	49.30	5.40	12.60	33.70	34.20	41.80	49.80	54.10	
GST Collection (INR crs.)	97597	32294	62009	90917	87422	86449	95480	105155	104963
Imports YoY	-28.72	-58.65	-51.05	-47.6	-28.4	-26	-19.6	-11.5	
Exports YoY	-34.57	-60.28	-36.47	-12.4	-10.21	-12.7	6.0	-5.1	
Non-oil & non-gold imports YoY	-30.45	-52.17	-33.76	-41.37	-29.15	-29.60	-12.63	-5.25	-0.84
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	575.29
Currency Circulation YoY	14.50	15.70	18.40	20.60	22.20	23.20	22.70	20.30	22.20
Passenger auto sales	-51.00	-100.00	-85.20	-49.60	-3.90	14.20	26.50	14.20	
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	-8.24	-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	-6.60	3.40	-3.20	0.50	7.20	9.50	9.90	11.40	
Imports YoY	-1.10	-14.20	-16.60	2.70	-1.40	-2.10	13.20	4.70	
Trade Balance	20.06	45.20	63.03	46.42	62.33	58.93	37.00	58.44	
CPI YoY	4.30	3.30	2.40	2.50	2.70	2.40	1.70	0.50	
Industrial Production YoY	-1.10	3.90	4.40	4.80	4.80	5.60	6.90	6.90	
Retail Sales YoY	-15.80	-7.50	-2.80	-1.80	-1.10	0.50	3.30	4.30	
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-Applciant 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	
Industrial Production YoY	-5.20	-15.00	-26.30	-18.20	-15.50	-13.80	-9.00	-3.20	
Exports YoY	-11.70	-21.90	-28.30	-26.20	-19.20	-14.80	-4.90	-0.20	
Imports YoY	-5.00	-7.10	-26.10	-14.40	-22.30	-20.70	-17.40	-13.30	
Natl CPI YoY	0.40	0.10	0.10	0.10	0.30	0.20	0.00	-0.40	
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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