

THE MACROSCOPE

2nd November 2020

Issue#1

Issue Highlights:

What stands out:

Covid-19, a factor that trumps Trump?

Charts in Focus:

US recovery stable; Hinges on stimulus

Europe consumption revival faces second wave hurdle

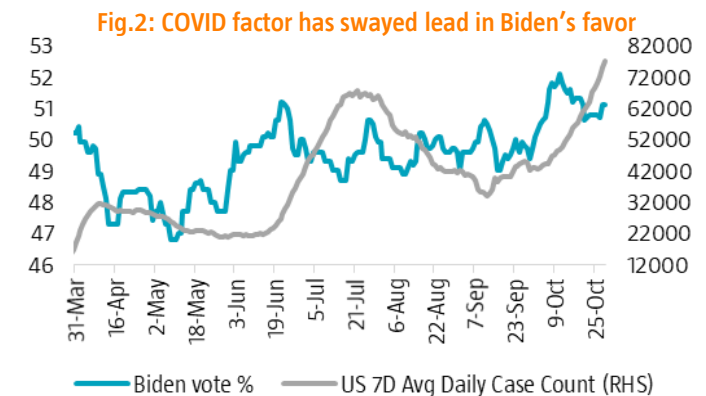
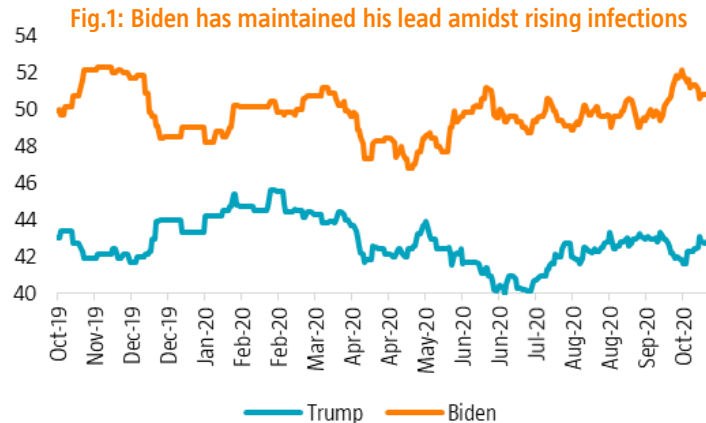
Asian recovery led by China; Inflation awaits

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WHAT STANDS OUT...

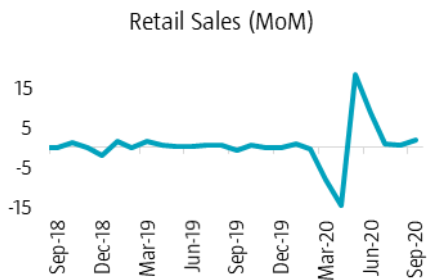
- There are no prizes for guessing that the major event in the minds of global investors in the coming week would be the U.S. election results. A new report from the American Psychological Association finds that 2/3rd of the Americans are stressed about the upcoming elections. Another survey finds that for a similar share of the voters listed **Covid-19 pandemic as a top concern in this election**
- The **Covid-19 pandemic has not helped President Trump’s chances for re-election** with most opinion polls showing Joe Biden leading (Fig. 1). Trump’s handling of the crisis and his own infection has seen Biden not only maintain but in fact add to his lead over Trump as the third wave of infections gathered pace. Interestingly, the impact of higher daily Covid-19 cases on Joe Biden’s win probability can be clearly seen as the surge of infections in the third wave has helped **Biden’s lead surge higher (Fig. 2)**
- Covid-19 has not only impacted “whom to vote” this year, its also impacted the “how we vote” part of it too! A record 90 mn have already voted either by early voting or mail-in ballots which is more than 65% of the total ballots cast in 2016, highest ever! Higher mail-in voting is expected to push the voter turnout higher in this election. Experts estimate a record 150 mn ballots to be cast in 2020, another highest ever! In a pandemic hit year, this is substantial as in-person voting was expected to be lower
- The share of voters who didn’t vote in 2016 was larger than the share of voters that voted for either Donald Trump or Hillary Clinton. Demographically speaking, non-voters are usually younger and racially diverse, both of which are a significant part of Democratic voter base. However, in a close battle like this one amidst a national pandemic, it would be very difficult to guess which side these new voters sway. But since numbers are suggesting that Democrats have an edge, the question is...



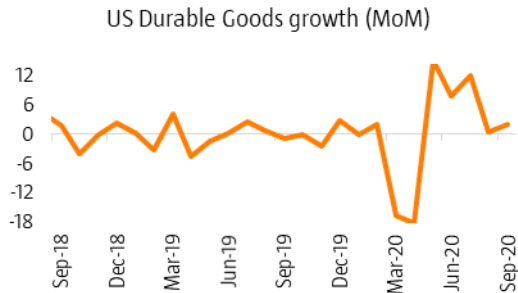
Will Corona be the factor that trumps Trump?!

CHARTS IN FOCUS – U.S.

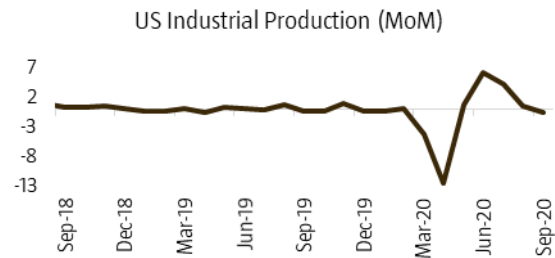
Consumption robust recovery continues



...followed by strong industrial recovery



Industrial production turned weaker post rebound



- ✓ Consumption demand as reflected in retail sales is showing good growth. Positive demand on the consumption side is starting to reflect in the industrial demand numbers as well.
- ✓ Strong durable goods growth complimented the consumption led economic revival. Growth in orders and shipments are pointing to a rebound in industrial recovery even as industrial production lost some bit of momentum as it dipped slightly in September after recording positive growth in the last few months
- ✓ However, the near-term key events/uncertainties like U.S. elections, fiscal gridlock & Covid-19 continue to undermine the flurry of positive economic data.
- ✓ In fact, a falling Citi Economic Surprise Index for United States is indicating that while economic data is surprising on the positive side, there is some loss of momentum due to the fiscal gridlock.
- ✓ With the chances of a fiscal package reaching Americans before elections is almost nil; we could see some optimism post the election results

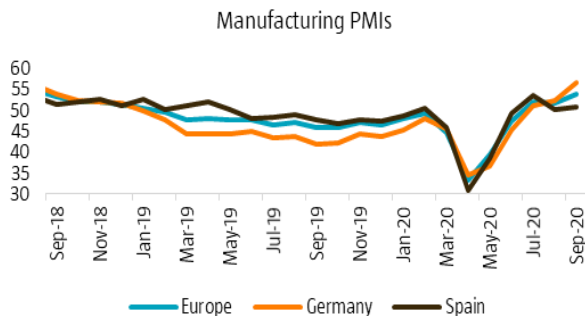
Markets factoring loss of momentum in economic revival



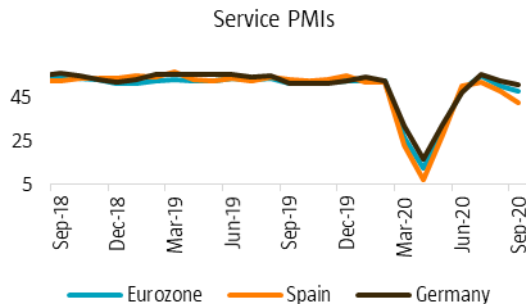
The pace of economic recovery hangs by the Congress solving the fiscal gridlock

CHARTS IN FOCUS – EUROZONE

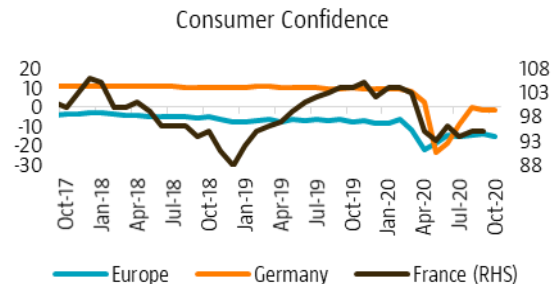
Manufacturing PMIs continued to be the shining spot



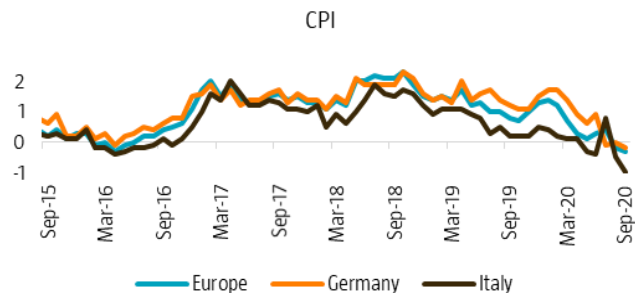
Services PMIs turned weak amidst second wave



Except in Germany, the consumer confidence remains weak



Record low interest rates and fiscal stimulus has failed; Covid-19 impacts

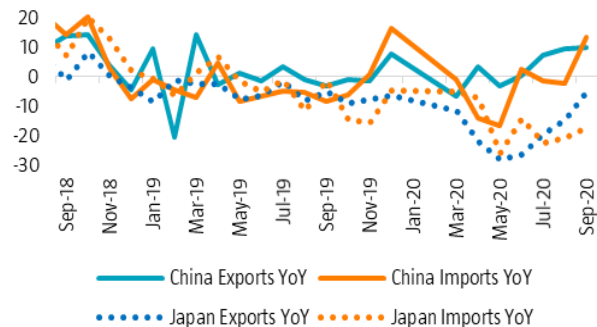


- ✓ The surge in second wave of Covid-19 infections continue to vex the economic recovery process in the Eurozone. The fiscal easing amounting to around 4% of the GDP has failed to show any significant signs of reflation, in contrast with what we see in U.S.
- ✓ Germany led the positive outlook on business activity on the manufacturing front which showed some positive signs of global trade activity
- ✓ The Services PMI however lost momentum on the back of fresh restrictions and lockdowns across various regions. This could accentuate in the near term as more lockdowns are announced to tackle the virus
- ✓ The lower confidence on the industrial as well as consumption demand front visible across the region

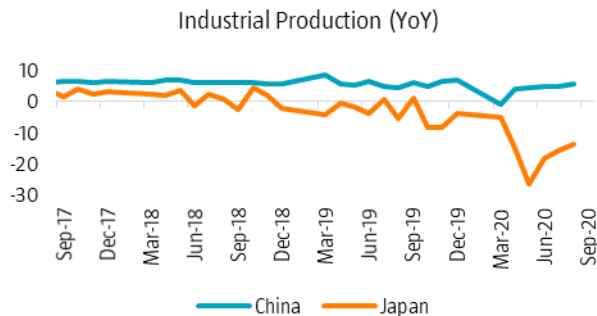
Economic recovery peaks out; pandemic touches newer peaks

CHARTS IN FOCUS – ASIA

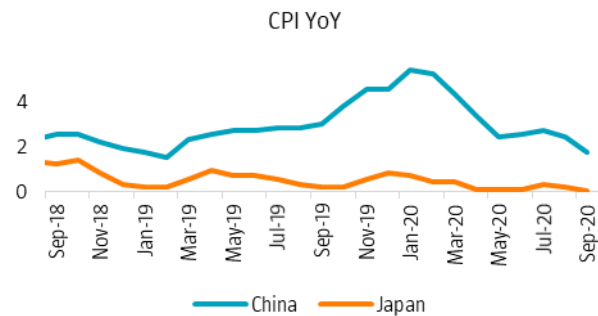
China's exports and imports growth show resilience



Industrial recovery in China stronger; Japan in contraction

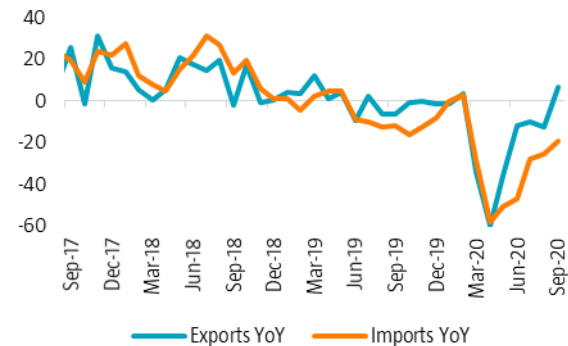


Industrial recovery in China stronger; Japan in contraction



- ✓ China is leading the global economic recovery as it posted a 4.9% YoY GDP growth in the July to September quarter. The lifting of restrictions globally has accelerated China's trade growth as exports grew by 9.9% YoY. Imports also recorded an impressive 13.2% YoY growth indicating a robust domestic demand recovery as well. Japan however, also has seen exports growth improve but domestic demand revival is still a while away
- ✓ The better than expected industrial production growth and retail sales growth confirm the overall broad-based economic recovery in China. Japan's growth recovery is on a more gradual path with industrial production still in the negative growth territory. While both economies have announced fiscal stimulus, they are yet to see it reflect as inflation continues to operate in a downward trajectory
- ✓ India's trade deficit narrowed to ~USD2.7bn in September. Apart from 6% YoY exports growth, imports continued to show improvement by contracting only 20% compared to 48% in June 2020. Non-oil non-gold imports also improved to -13% YoY in September vs -30% YoY in August. Double digit decline in capital goods imports indicate that domestic investment activity may remain weak in near-term

India's exports record first positive growth since lockdown



Recovery on trend; Inflation evades

INDICATORS IN FOCUS – U.S. & EUROPE

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
UNITED STATES										
U. of Mich. Sentiment	99.80	101.00	89.10	71.80	72.30	78.10	72.50	74.10	80.40	81.20
Retail Sales Advance MoM	0.80	-0.40	-8.20	-14.70	18.30	8.60	0.90	0.60	1.90	
Industrial Production YoY	-0.85	-0.24	-4.70	-16.26	-15.83	-10.68	-6.77	-7.01	-7.28	
Trade Balance (USD bn)	-43.36	-37.01	-46.10	-53.58	-57.86	-53.46	-63.37	-67.10		
Auto Sales (mn)	16.84	16.83	11.37	8.58	12.21	13.05	14.52	15.19	16.34	
New Home Sales ('000)	774	716	612	570	698	840	965	994	959	
Housing Starts ('000)	1617	1567	1269	934	1038	1265	1487	1388	1415	
PCE Core Deflator YoY	1.75	1.87	1.65	0.93	1.01	1.14	1.40	1.59		
PCE Deflator YoY	1.90	1.80	1.30	0.50	0.50	0.90	1.10	1.40		
Change in Nonfarm Payrolls ('000)	214	251	-1373	-20787	2725	4781	1761	1489	661	
Unemployment Rate (%)	3.60	3.50	4.40	14.70	13.30	11.10	10.20	8.40	7.90	
Markit US Manufacturing PMI	51.90	50.70	48.50	36.10	39.80	49.80	50.90	53.10	53.20	53.30
EUROZONE										
Germany IFO Business Climate	95.3	95.8	86.7	75.2	79.9	86.1	90.4	92.4	93.2	92.7
Eurozone Consumer Confidence	-8.10	-6.60	-11.60	-22.00	-18.80	-14.70	-15.00	-14.70	-13.90	-15.50
Bank of France Ind. Sentiment	94.32	95.66	54.76	51.10	84.00	89.24	99.02	105.06	101.00	
France Industrial Production YoY	-2.9	-1.4	-17.5	-34.9	-23.3	-11.5	-8.4	-6.2		
Italy Retail Sales YoY	1.5	6.1	-18.9	-26.7	-10.5	-2.4	-7.1	0.81		
Netherlands Manufacturing Production YoY	1.40	-0.90	-1.90	-10.90	-12.10	-9.70	-5.20	-4.00		
France Trade Balance (EUR mn)	-5717.00	-4597.00	-2942.00	-4967.00	-7416.00	-8105.00	-7041.00	-7708.23		
Italy New Car Registrations YoY	-5.76	-8.65	-85.39	-97.55	-49.55	-23.03	-10.88	-0.29	9.54	
Spain CPI YoY	1.10	0.70	0.00	-0.70	-0.90	-0.30	-0.60	-0.50	-0.40	
Eurozone CPI YoY	1.40	1.20	0.70	0.30	0.10	0.30	0.40	-0.20	-0.30	
Germany CPI YoY	1.70	1.70	1.40	0.90	0.60	0.90	-0.10	0.00	-0.20	
Netherlands Unemployment Rate (%)	3.00	2.90	2.90	3.40	3.60	4.30	4.50	4.60	4.40	
Eurozone Unemployment Rate (%)	7.40	7.30	7.20	7.40	7.60	7.80	8.00	8.10		
Markit Eurozone Composite PMI	51.30	51.60	29.70	13.60	31.90	48.50	54.90	51.90	50.40	49.40

INDICATORS IN FOCUS – ASIA

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
INDIA									
CPI YoY	7.59	6.58	5.84	7.22	6.27	6.23	6.73	6.69	7.3
Core CPI YoY	4.19	4.08	3.95	4.85	5.00	5.33	5.66	5.77	5.69
Nikkei India PMI Mfg	55.30	54.50	51.80	27.40	30.80	47.20	46.00	52.00	56.80
Nikkei India PMI Services	55.50	57.50	49.30	5.40	12.60	33.70	34.20	41.80	49.80
GST Collection (Rs. cr)	110818.00	105366.00	97597.00	32294.00	62009.00	90917.00	87422.00	86449.00	95480.00
Imports YoY	-0.75	2.47	-28.72	-58.65	-51.05	-47.6	-28.4	-26	-19.6
Exports YoY	-1.66	2.9	-34.57	-60.28	-36.47	-12.4	-10.21	-12.7	5.3
Non-oil & non-gold imports YoY	-4.67	-0.90	-30.45	-52.17	-33.76	-41.37	-29.15	-29.60	-12.63
Gold Imports(USD mn)	-31.52	-8.54	-62.64	-99.93	-98.40	-77.42	4.17	171.27	-52.85
E-Way Bills generated (INR crs.)	11.57	14.29	-24.72	-83.61	-53.03	-12.71	-7.29	-3.47	-4.04
Indian Forex Reserves(USD mn)	471.30	481.54	475.60	479.50	493.50	506.80	534.57	541.40	542.00
Currency in Circulation YoY	11.90	11.50	14.50	15.70	18.40	20.60	22.20	23.20	22.70
Passenger auto sales	-6.20	-7.60	-51.00	-100.00	-86.40	-53.30	-12.80	13.60	43.80
Cement output YoY	5.12	7.78	-25.06	-85.25	-21.43	-6.83	-13.45	-14.64	
Steel Production	1.57	2.89	-21.97	-78.71	-43.08	-25.42	-8.30	-6.30	
Index of Industrial Production YoY	2.23	5.17	-18.67	-57.31	-33.90	-15.78	-10.80	-8.00	
CHINA									
Caixin China PMI Composite	51.90	27.50	46.70	47.60	54.50	55.70	54.50	55.10	54.50
Caixin China PMI Services	51.80	26.50	43.00	44.40	55.00	58.40	54.10	54.00	54.80
Exports YoY	-6.60	3.40	-3.20	0.50	7.20	9.50	9.90		
Imports YoY	-1.10	-14.20	-16.60	2.70	-1.40	-2.10	13.20		
Trade Balance (USD bn)	20.06	45.20	63.03	46.42	62.33	58.93	37.00		
CPI YoY	5.40	5.20	4.30	3.30	2.40	2.50	2.70	2.40	1.70
Industrial Production YoY	-1.10	3.90	4.40	4.80	4.80	5.60	6.90		
Retail Sales YoY	-15.80	-7.50	-2.80	-1.80	-1.10	0.50	3.30		
Manufacturing PMI	50.00	35.70	52.00	50.80	50.60	50.90	51.10	51.00	51.50
JAPAN									
Vehicle Sales YoY	-11.10	-10.70	-10.20	-25.50	-40.20	-26.00	-20.40	-18.50	-15.60
Jobless Rate	2.40	2.40	2.50	2.60	2.90	2.80	2.90	3.00	
Job-To-Applicant Ratio	1.49	1.45	1.39	1.32	1.20	1.11	1.08	1.04	
Money Stock M2 YoY	2.80	3.00	3.20	3.70	5.10	7.20	7.90	8.60	9.00
Industrial Production YoY	-2.40	-5.70	-5.20	-15.00	-26.30	-18.20	-15.50	-13.80	
Exports YoY	-2.60	-1.00	-11.70	-21.90	-28.30	-26.20	-19.20	-14.80	-4.90
Imports YoY	-3.60	-13.90	-5.00	-7.10	-26.10	-14.40	-22.30	-20.80	-17.20
Natl CPI YoY	0.70	0.40	0.40	0.10	0.10	0.10	0.30	0.20	0.00
Jibun Bank Japan PMI Composite	50.10	47.00	36.20	25.80	27.80	40.80	44.90	45.20	46.60
Retail Sales YoY	-0.40	1.60	-4.70	-13.90	-12.50	-1.30	-2.90	-1.90	

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