

MACRO DAILY

16 September 2020

Macro developments

- India's trade deficit widened to US\$ 6.8bn in Aug'20 from US\$ 4.8bn in Jul'20 led by higher gold imports. Exports contracted by 12.7% in Aug'20 compared with 10.2% drop in Jul'20, led by engineering and chemical goods. Imports declined by 26% in Aug'20 versus a decline of 28.4%. Exports are expected to improve as global demand picks up. Imports may also pick-up with a lag once India's recovery gains pace.
- The Banking Regulation (Amendment) Bill, 2020 has been introduced in the Lok Sabha. A notable amendment has been proposed in Section 45 which enables RBI to protect the interest of depositors first, before making an order of moratorium. Another amendment pertains to applying RBI's regulations to cooperative banks which were facing dual controls of both cooperative societies and RBI.
- Germany's ZEW economic sentiment index rose to 77.4 points in Sep'20 from 71.5 in Aug'20. Future outlook index also jumped by 15.1 points to settle at (-) 66.2 in Sep'20. Market participants remained positive on domestic growth outlook. However, banking sector outlook remained negative on concerns of higher loan defaults in the coming months.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps (0.68%) awaiting Fed's policy decision and its economic projections. Crude prices rose by 2.3% (US\$ 41/bbl) amidst apprehension that Hurricane Sally might disrupt oil output in the US Gulf Coast. India's 10Y yield closed flat at 6.03%. It is trading at 6.02% today.
- Currency:** Except EUR and INR, other global currencies closed higher against the dollar. DXY rose by 0.1% as US industrial production rose for the 4th straight month in Aug'20. GBP rose by 0.3% even as UK's unemployment rate ticked up. INR depreciated by 0.2%. However, it is trading higher today in line with other Asian currencies.
- Equity:** Barring Nikkei and Dow (flat), other global indices ended higher supported by robust data print from China (industrial production and retail sales). Amongst other indices, FTSE (1.3%) gained the most followed by Sensex (0.7%). It is trading higher today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.68	1	0	(3)	(7)	(112)
UK	0.22	2	3	(3)	1	(48)
Japan	0.02	0	(2)	(3)	0	17
Germany	(0.48)	0	2	(6)	(5)	(1)
India	6.03	0	(3)	8	18	(70)
China	3.11	(4)	(2)	17	26	1
2Y yields (Δ bps)						
US	0.14	0	0	(1)	(6)	(159)
UK	(0.07)	3	7	(5)	(2)	(60)
Japan	(0.13)	(1)	(1)	(2)	1	11
Germany	(0.69)	1	2	(4)	(4)	2
India	4.47	(1)	(3)	22	8	(130)
China	2.62	0	1	36	62	8
Currencies (Δ %)						
EUR	1.1847	(0.2)	0.6	0	5.2	7.0
GBP	1.2889	0.3	(0.7)	(1.5)	2.5	3.1
JPY	105.44	0.3	0.6	1.1	1.8	2.5
AUD	0.7302	0.2	1.2	1.8	6.0	6.4
INR	73.65	(0.2)	(0.1)	1.7	3.4	(2.6)
CNY	6.7826	0.4	0.9	2.4	4.3	4.4
Equity & Other indices (Δ %)						
Dow	27,996	0	1.8	0.2	6.5	3.3
FTSE	6,106	1.3	3.0	0.3	(2.2)	(16.6)
DAX	13,218	0.2	1.9	2.5	7.3	6.8
NIKKEI	23,455	(0.4)	0.8	0.7	3.9	6.6
Shanghai Comp	3,296	0.5	(0.6)	(1.9)	12.4	10.7
SENSEX	39,044	0.7	1.8	3.1	16.2	7.0
Brent (US\$/bbl)	40.53	2.3	1.9	(9.5)	(1.0)	(37.2)
Gold (US\$/oz)	1,954	(0.1)	1.1	0.5	13.2	30.2
CRB Index	405.8	0.3	2.3	6.3	11.9	5.4
Rogers Agri Index	742.9	(0.3)	1.2	4.8	10.6	6.0
LIBOR (3M)*	0.24	(1)	(1)	(3)	(7)	(193)
INR 5Y Swap*	5.58	0	(5)	24	40	(80)
India FII data (US\$ mn)						
	14 Sep	11 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	31.2	(56.3)	31.2	198.9	(14,891.1)	(5,131.6)
FII-Equity	81.8	334.5	81.8	261.1	5,068.4	11,671.4

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

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