

MACRO DAILY

10 August 2020

Macro developments

- Government of India recently launched the Agriculture Infrastructure Fund worth Rs 1tn to provide support to FPOs, PACs and farmers so as to build community farming assets and post-harvest infrastructure. Through the fund, over Rs 10bn was provided to 2,200 farmer societies. Further, Rs 170bn was also released as the 6th installment under the PM-KISAN scheme, taking the total disbursement to Rs 900bn.
- Germany's industrial production and trade data for Jun'20 showed rebound in activity. While industrial production rose by 8.9% on MoM basis from 7.4% in May'20, exports were up by 14.9% versus 9% in May'20. Production growth was supported by 54.7% jump in auto industry and 7.3% rise in consumer goods.
- Non-farm payroll data for US shows that 1.8mn jobs were added in Jul'20 versus est.: 1.5mn and 4.8mn in Jun'20. Most gains were seen in leisure and hospitality, government and retail trade. With this 9.3mn jobs have been added back since May'20. Unemployment rate is also down to 10.2% from 11.1% in Jun'20. However, with 16.3mn still unemployed, recovery has a long way to go.

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Markets

- Bonds:** Global yields closed mixed amidst rising COVID-19 cases, uncertainty over fiscal stimulus in the US and trade tensions between US and China. US 10Y yield rose by 3bps (0.56%) supported by better than expected jobs data. Crude prices fell by 1.5% (US\$ 44/bbl) as demand concerns remained. India's 10Y yield rose by 3bps (5.89%) as RBI maintained status quo on rates. It is trading at 5.9% today.
- Currency:** Except INR (flat), other global currencies closed lower. DXY rose by 0.7% after falling for 3-straight session as US non-farm payrolls rose more than expected. AUD fell by 1.1% after RBA noted that economic recovery in Australia can be slower than anticipated. INR is trading marginally lower today while other Asian currencies are trading higher.
- Equity:** Global indices ended mixed on the back of escalated concerns over US-China trade relations. Shanghai Comp (1%) declined the most followed by Nikkei (0.4%). Sensex ended flat. However, it is trading higher today while other 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	0.56	3	4	(10)	(12)	(115)
UK	0.14	3	4	(4)	(10)	(38)
Japan	0.01	(1)	(1)	(2)	1	21
Germany	(0.51)	2	2	(7)	3	5
India	5.89	3	5	11	(8)	(51)
China	2.99	0	1	(8)	38	(6)
2Y yields (Δ bps)						
US	0.13	1	2	(3)	(3)	(149)
UK	(0.02)	1	4	5	(2)	(50)
Japan	(0.12)	(1)	0	1	4	12
Germany	(0.68)	1	3	(2)	10	17
India	4.22	2	3	10	(15)	(163)
China**	2.23	(1)	(2)	12	104	(29)
Currencies (Δ %)						
EUR	1.1787	(0.8)	0.1	4.0	8.7	5.4
GBP	1.3052	(0.7)	(0.3)	3.5	5.2	7.6
JPY	105.9200	(0.4)	(0.1)	1.2	0.7	0.1
AUD	0.7157	(1.1)	0.2	2.5	9.6	5.2
INR	74.9350	0	(0.2)	0.1	0.8	(6.0)
CNY	6.9680	(0.2)	0.1	0.5	1.5	1.1
Equity & Other indices (Δ %)						
Dow	27,433	0.2	3.8	5.2	12.7	4.0
FTSE	6,032	0.1	2.3	(2.0)	1.6	(17.2)
DAX	12,675	0.7	2.9	1.4	16.2	7.0
NIKKEI	22,330	(0.4)	2.9	(0.5)	10.7	8.4
Shanghai Comp	3,354	(1.0)	1.3	(1.5)	15.8	20.0
SENSEX	38,041	0	1.2	4.7	20.2	1.9
Brent (US\$/bbl)	44.40	(1.5)	2.5	2.6	43.4	(22.6)
Gold (US\$/oz)	2,036	(1.4)	3.0	12.5	19.5	35.6
CRB Index	378.5	(0.3)	0.2	4.3	4.9	(5.6)
Rogers Agri Index	691.0	(0.9)	(1.2)	(0.1)	4.6	(3.1)
LIBOR (3M)*	0.25	1	0	(2)	(18)	(193)
INR 5Y Swap*	5.23	1	9	(7)	(1)	(105)
India FII data (US\$ mn)						
	6 Aug	5 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(61.0)	(43.2)	(115.7)	(115.7)	(14,643.3)	(4,883.8)
FII-Equity	76.9	77.4	1,167.8	1,167.8	(120.3)	6,482.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | **1Y yield

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