

MACRO DAILY

10 July 2020

Macro developments

- As per news reports, central government is planning a stake sale in Coal India and IDBI bank to raise nearly Rs 200bn in disinvestment proceeds. Government currently holds 66% stake in Coal India and 47% in IDBI bank. In Jan'15, 10% stake sale in Coal India alone had raised Rs 225bn. The FY21 disinvestment target of Rs 2.1tn has come under strain as prospects of sale of Air India and BPCL have been severely hit.
- US jobless claims fell by 99,000 to 1,314,000 for the week ending 4 Jul 2020 against 1,413,000 in the previous week. Despite improvement visible in the labour market, signs of strain remain due to surge in cases in the US (0.3 mn weekly rise) and re-imposition of lockdown restrictions in few states.
- Germany's exports rose by 9% in May'20 on a MoM basis versus 24% decline in Apr'20 and est. 13.5% increase. Imports too inched up by 3.5% versus 16.6% decline in Apr'20. However, compared to Feb'20 (pre-covid lockdown) exports are still lower by 26.8%. Exports to France, Italy, Spain and US were the most hit in May'20.

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Markets

- Bonds:** Except Japan and China, global yields closed lower due to rising cases in the US. It's 10Y yield fell by 5bps (0.61%). Fed officials also warned of a pronounced slowdown. Crude prices fell by 2.2% (US\$ 42/bbl) as US gasoline demand fell in those States where lockdown have been re-imposed. India's 10Y yield fell by 1bps (5.77%). It is trading flat today.
- Currency:** Global currencies closed mixed. DXY rose by 0.3% as US jobless claims fell more than expected. CNY appreciated by 0.1% to close below 7/\$ amidst hopes of a strong recovery in China. INR closed flat. It is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors continued to monitor rise in COVID-19 cases. Sensex (1.1%) on the other hand ended in green with metal and banking stocks advancing the most. However, it is trading lower today ahead of the release of industrial output data; while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.61	(5)	(6)	(26)	(11)	(152)
UK	0.16	(3)	(3)	(18)	(15)	(68)
Japan	0.03	0	(1)	(2)	1	17
Germany	(0.46)	(2)	(4)	(14)	(12)	(24)
India	5.77	(1)	(7)	(4)	(72)	(72)
China	3.10	3	23	28	57	(8)
2Y yields (Δ bps)						
US	0.15	(1)	(0)	(8)	(7)	(171)
UK	(0.09)	(2)	0	(9)	(13)	(71)
Japan	(0.13)	0	(1)	0	2	7
Germany	(0.68)	(2)	0	(7)	(6)	5
India	4.12	(1)	(5)	(34)	(112)	(207)
China	2.15	4	6	14	97	(42)
Currencies (Δ %)						
EUR	1.1285	(0.4)	0.4	(0.1)	3.2	0.3
GBP	1.2606	0	1.1	(0.9)	1.2	0.7
JPY	107.20	0.1	0.3	1.1	1.2	1.2
AUD	0.6964	(0.3)	0.6	(0.8)	9.8	(0.1)
INR	75.00	0	0	0.7	1.7	(9.6)
CNY	6.9942	0.1	1.0	1.1	0.7	(1.8)
Equity & Other indices (Δ %)						
Dow	25,706	(1.4)	(0.5)	(6.8)	8.4	(5.1)
FTSE	6,050	(1.7)	(3.1)	(6.5)	3.5	(19.4)
DAX	12,489	0	(0.9)	(2.6)	18.2	1.3
NIKKEI	22,529	0.4	1.7	(2.8)	16.5	4.1
Shanghai Comp	3,451	1.4	11.6	17.5	22.1	18.3
SENSEX	36,738	1.1	2.5	6.9	17.9	(5.4)
Brent (US\$/bbl)	42.35	(2.2)	(1.8)	3.8	34.5	(36.3)
Gold (US\$/oz)	1,804	(0.3)	1.6	6.2	7.1	28.5
CRB Index	363.6	0.2	0.9	(1.5)	0.4	(10.1)
Rogers Agri Index	694.5	0.4	1.9	1.3	5.4	(7.0)
LIBOR (3M)*	0.27	0	(3)	(4)	(95)	(203)
INR 5Y Swap*	5.32	2	2	19	(71)	(126)
India FII data (US\$ mn)						
	08 Jul	07 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	34.2	(3.6)	134.6	149.0	(14,133.0)	(4,373.5)
FII-Equity	(141.2)	(222.5)	(300.0)	(483.8)	(2,925.3)	3,677.7

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

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