

MACRO DAILY

11 June 2020

Macro developments

- OECD in its latest economic outlook has projected India's GDP to contract sharply by 3.7% in FY21. However, the decline will be more pronounced at 7.3%, if second wave of infection prevails. The report highlighted an inclusive growth strategy with focus on social investment, income support and curtailing unwarranted revenue spending as possible solutions for recovery in the near term.
- RBI reported that currency in circulation (CIC) increased by Rs 228.5bn and stood at Rs 26.4tn for the week ending 5 Jun 2020. Reserve money rose by 13.2% on a YoY basis, compared with 13.7% a year ago. On a FYTD basis, reserve money increased by 4.5% as against 0.9% last year.
- Fed in its recent policy highlighted that policy rate is expected to be at its ultra-low level (0-0.25%) till CY22. Further, US GDP is estimated to fall sharply by 6.5% in CY20 (2% growth projected earlier) due to COVID-19. Unemployment is also expected to be higher at 9.3% and inflation lower at 0.8%. Fed will continue its pace of asset purchase to support the economy. However, revival is expected from CY21 onwards.

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Markets

- **Bonds:** Barring China and Japan, global yields closed lower. US 10Y yield fell sharply by 10bps (0.73%) as US Fed confirmed that rate will remain zero until CY22. Statement also showed discussion on potential for yield curve control policy. Crude prices rose by 1.3% (US\$ 41.7/bbl). India's 10Y yield fell by 1bps (5.98%). It is trading at 5.96% today.
- **Currency:** Global currencies closed higher. DXY fell by 0.4% to a 3-month low after Fed kept policy rate unchanged. JPY and AUD strengthened by 0.6% and 0.5% respectively. INR closed flat. It is however trading lower today in line with other Asian currencies.
- **Equity:** Except Nikkei and Sensex, other global indices ended lower led by Dow (1%). European markets too ended in red. Dow fell as Fed presented a grimmer economic outlook for the US, with unemployment rate running high in the near-term. Sensex gained by 0.9% supported by real estate and banking stocks. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.73	(10)	(2)	4	(14)	(139)
UK	0.27	(7)	(1)	3	(3)	(60)
Japan	0.03	1	1	3	9	14
Germany	(0.33)	(2)	2	21	41	(10)
India	5.98	(1)	(5)	1	(15)	(103)
China	2.83	1	3	21	19	(47)
2Y yields (Δ bps)						
US	0.17	(4)	(2)	1	(35)	(171)
UK	(0.04)	(5)	(4)	(4)	(20)	(65)
Japan	(0.14)	0	0	1	8	5
Germany	(0.62)	(1)	2	16	34	6
India	4.43	1	1	6	(89)	(187)
China	2.00	(1)	6	81	4	(53)
Currencies (Δ %)						
EUR	1.1374	0.3	1.3	4.9	0.9	0.8
GBP	1.2747	0.1	1.4	2.7	(0.6)	0.5
JPY	107.12	0.6	1.6	(0.4)	(2.5)	1.3
AUD	0.6998	0.5	1.1	7.1	7.9	1.0
INR	75.60	0	(0.2)	(0.1)	(2.7)	(9.0)
CNY	7.0610	0.2	0.8	0.2	(1.4)	(2.1)
Equity & Other indices (Δ %)						
Dow	26,990	(1.0)	2.7	10.9	14.6	3.8
FTSE	6,329	(0.1)	(0.8)	6.6	7.7	(14.1)
DAX	12,530	(0.7)	0.3	14.9	20.0	3.4
NIKKEI	23,125	0.1	2.3	14.6	19.1	9.4
Shanghai Comp	2,944	(0.4)	0.7	1.7	(0.8)	1.2
SENSEX	34,247	0.9	0.4	8.2	(4.1)	(13.9)
Brent (US\$/bbl)	41.73	1.3	4.9	34.7	16.6	(30.4)
Gold (US\$/oz)	1,739	1.4	2.3	2.1	6.3	30.4
CRB Index	367.8	(0.3)	(0.1)	1.9	(7.1)	(11.0)
Rogers Agri Index	683.4	0.1	1.2	3.5	(0.8)	(9.6)
LIBOR (3M)*	0.31	0	(1)	(12)	(46)	(211)
INR 5Y Swap*	5.17	5	(3)	(7)	(49)	(152)
India FII data (US\$ mn)						
	9 Jun	8 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(66.2)	(4.6)	(70.8)	(296.5)	(14,351.8)	(4,592.3)
FII-Equity	63.2	139.2	202.4	2,800.5	(2,114.1)	4,488.9

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

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