

MACRO DAILY

12 August 2020

Macro developments

- India's auto sales showed improvement as the pace of contraction eased significantly in Jul'20 to 18.6% from 43% in Jun'20. Most recovery was visible in passenger vehicle sales which fell by 3.9% compared with 49.6% last month. Two-wheeler sales were also better with decline of only 15.2% versus 38.6% in Jun'20.
- Germany's ZEW economic expectation index jumped 12.2 points to 71.5 in Aug'20. However the current situation index remained weak at (-) 81.3 versus (-) 80.9 in Jul'20, as the pace of current recovery is estimated to be slow. While the domestic economy is expected to recover fast, key concerns over poor earnings expectations for banks and insurers over the next 6 months remain.
- US producer prices rose by 0.6% in Jul'20 against 0.2% decline in Jun'20, on MoM basis, registering the highest monthly gain since Oct'18. This was driven by rising costs for gasoline which rose by 10.1%. PPI excluding food and energy also inched up by 0.3% against 0.1% in Jun'20.

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Markets

- Bonds:** Global yields closed higher supported by upbeat macro data (US, Germany and China). Russia's claim of developing a COVID-19 vaccine also supported investor sentiments. US 10Y yield rose by 7bps (0.64%). Crude prices fell by 1.1% (US\$ 45/bbl) as confusion still reigned over fiscal stimulus in the US. India's 10Y yield rose by 1bps (5.90%). It is trading 3bps higher at 5.93% today.
- Currency:** Global currencies closed mixed on uncertainty over US stimulus package and escalated US-China tensions. DXY closed flat. EUR too closed flat despite better than expected macro data from Germany (ZEW economic sentiment index). INR rose by 0.2% on the back of FII inflows. It is however trading lower today in line with other Asian currencies.
- Equity:** Barring Dow and Shanghai Comp, other global indices ended higher. European stocks rose as data showed improvement in economic sentiment in Germany. As a result, Dax rose by 2%. Dow on the other hand fell by 0.4% amidst uncertainty over fiscal stimulus. Sensex continued its upward momentum and rose by 0.6%. 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	0.64	7	13	0	(2)	(106)
UK	0.20	7	12	5	(5)	(29)
Japan	0.03	2	2	1	3	27
Germany	(0.48)	5	8	(1)	3	13
India	5.90	1	13	14	(27)	(63)
China	2.98	2	3	(5)	33	(3)
2Y yields (Δ bps)						
US	0.15	2	4	0	(1)	(152)
UK	0.0	3	7	11	2	(46)
Japan	(0.10)	1	2	2	3	18
Germany	(0.68)	2	2	1	4	19
India	4.26	1	7	15	(24)	(163)
China**	2.22	1	1	9	98	(30)
Currencies (Δ %)						
EUR	1.1740	0	(0.5)	3.9	8.2	5.1
GBP	1.3048	(0.2)	(0.2)	3.4	6.4	8.2
JPY	106.4900	(0.5)	(0.7)	0.4	0.6	0.2
AUD	0.7143	(0.1)	(0.2)	2.8	10.4	5.1
INR	74.7750	0.2	0.4	0.6	1.0	(4.7)
CNY	6.9463	0.2	0.4	0.8	1.9	1.4
Equity & Other indices (Δ %)						
Dow	27,687	(0.4)	3.2	6.2	16.5	5.4
FTSE	6,154	1.7	2.0	1.0	2.7	(15.1)
DAX	12,947	2.0	2.7	2.5	19.7	10.2
NIKKEI	22,750	1.9	0.8	2.1	11.7	11.2
Shanghai Comp	3,340	(1.2)	(0.9)	(1.3)	15.5	19.4
SENSEX	38,407	0.6	1.9	5.0	22.4	3.9
Brent (US\$/bbl)	44.50	(1.1)	0.2	2.9	48.4	(27.4)
Gold (US\$/oz)	1,912	(5.7)	(5.3)	6.3	12.3	27.3
CRB Index	379.1	(0.2)	1.0	4.3	4.7	(4.6)
Rogers Agri Index	694.2	0.2	(0.3)	0.4	4.9	0.2
LIBOR (3M)*	0.26	0	1	(1)	(17)	(190)
INR 5Y Swap*	5.24	(4)	9	(3)	(7)	(113)
India FII data (US\$ mn)						
	10 Aug	7 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(39.6)	119.2	(39.6)	(36.2)	(14,563.8)	(4,804.3)
FII-Equity	169.9	174.3	169.9	1,512.1	223.9	6,826.8

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

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