

## MACRO DAILY

13 July 2020

### Macro developments

- India's industrial output declined by 34.7% in May'20 versus a decline of 57.6% in Apr'20. While recovery in FMCG goods is encouraging, capital and durable goods continue to show steep declines. However, broader economic activity is improving as seen in higher manufacturing PMI, electricity demand and E-way bill generation in Jun'20. Rising COVID cases and risks of local shutdowns remain a key risk.
- US producer prices fell unexpectedly by 0.2% in Jun'20 on MoM basis, against estimates and previous month's level of 0.4% increase. This was led by fall in index for food, trade and transportation services. However, core PPI inched up to 0.3% versus 0.1% increase in May'20.
- Japan's PPI rose by 0.6% in Jun'20 versus est.: 0.3% increase and 0.5% decline in May'20. The reversal in trend was supported by higher prices of scrap & waste (13.6%), petroleum & coal products (11.4%), and non-ferrous metals (3.1%). On the other hand, prices of utilities and agri products continued to decline.

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### Markets

- Bonds:** Global yields closed mixed amidst rising cases in the US, uncertainty over US-China trade deal and mixed global macro prints. US 10Y yield rose by 3bps (0.64%) on hopes of discovery of COVID-19 vaccine. Crude oil prices also rose by 2.1% (US\$ 43/bbl). India's 10Y yield fell by 1bps (5.76%). It is trading at 5.77% today, ahead of CPI data release.
- Currency:** Global currencies closed mixed. DXY closed flat amidst hopes of a COVID-19 vaccine even as confirmed cases in the US continued to increase. JPY rose by 0.3%. However, INR depreciated by 0.3% amidst rising oil prices. It is trading lower today, while other Asian currencies are trading higher.
- Equity:** Global indices ended mixed as hopes of COVID-19 vaccine was offset by surge in new cases. Shanghai Comp (1.9%) declined the most. However, European indices ended in green as industrial production in Italy and France improved in May'20. Sensex on the other hand fell by 0.4%. It was dragged down by banking and consumer durables stocks. It is trading higher today, in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.64	3	(2)	(2)	(7)	(148)
UK	0.16	0	(3)	(4)	(15)	(68)
Japan	0.03	0	0	2	1	14
Germany	(0.47)	0	(3)	(5)	(12)	(26)
India	5.76	(1)	(9)	(3)	(73)	(73)
China	3.03	(6)	13	26	49	(13)
<b>2Y yields (Δ bps)</b>						
US	0.15	0	0	(4)	(7)	(169)
UK	(0.11)	(2)	(3)	(6)	(15)	(70)
Japan	(0.12)	1	1	2	4	6
Germany	(0.69)	0	(1)	(4)	(7)	3
India	4.11	0	(5)	(33)	(113)	(207)
China	2.13	(2)	7	15	93	(44)
<b>Currencies (Δ %)</b>						
EUR	1.1300	0.1	0.5	0	3.3	0.3
GBP	1.2622	0.1	1.1	0.2	1.3	0.4
JPY	106.93	0.3	0.5	(0.1)	1.4	0.9
AUD	0.6950	(0.2)	0.2	1.4	9.5	(1.0)
INR	75.21	(0.3)	(0.7)	0.8	1.4	(9.5)
CNY	7.0019	(0.1)	0.9	0.9	0.5	(1.8)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,075	1.4	1.0	3.8	9.9	(4.6)
FTSE	6,095	0.8	(1.0)	0.3	4.3	(18.8)
DAX	12,634	1.2	0.8	5.5	19.6	2.5
NIKKEI	22,291	(1.1)	(0.1)	(0.8)	14.3	2.8
Shanghai Comp	3,383	(1.9)	7.3	15.8	21.0	15.5
SENSEX	36,594	(0.4)	1.6	9.1	17.4	(5.5)
Brent (US\$/bbl)	43.24	2.1	1.0	12.2	37.4	(35.2)
Gold (US\$/oz)	1,799	(0.3)	1.3	4.1	6.0	27.0
CRB Index	363.5	0	0.8	(0.9)	0.4	(10.4)
Rogers Agri Index	691.4	(0.4)	1.4	2.2	4.9	(8.0)
LIBOR (3M)*	0.27	0	(1)	(5)	(95)	(205)
INR 5Y Swap*	5.27	(5)	(1)	5	(96)	(131)
<b>India FII data (US\$ mn)</b>						
	<b>09 Jul</b>	<b>08 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(202.6)	34.2	(68.0)	(53.5)	(14,335.5)	(4,576.0)
FII-Equity	450.3	(141.2)	150.3	(33.5)	(2,475.0)	4,128.0

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

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