

MACRO DAILY

14 August 2020

Macro developments

- RBI purchased net US\$ 9.8bn in Jun'20 in the spot market versus net purchase of US\$ 4.4bn in May'20. In Q1FY21, RBI purchased US\$ 13bn in spot market versus purchase of US\$ 9.9bn in Q1FY20. In the forwards market as well, RBI purchased US\$ 4.4bn versus sale of US\$ 0.2bn in May'20. RBI's net outstanding forward position is at US\$ 2.5bn.
- China's industrial production rose by 4.8% in Jul'20, same as Jun'20 and tad lower than estimate of 5.1% increase. This was driven by 6% jump in manufacturing output, while mining output fell by 2.6%. Supply chains seem to be recovering with investment also picking up, but consumer spending remains weak. Dip in FAI on CYTD basis eased to 1.6% in Jan-Jul'20 versus 3.1% in H1. Retail sales showed slower recovery as it declined by 1.1% versus 1.8% in Jun'20 and est.: 0.1% increase.
- US jobless claims for the week ending 8 Aug 2020 fell by 228,000 to 0.96mn (est.: 1.1mn) against previous week's level of 1.19mn. This was the first time since 14 Mar 2020 that claims were below 1mn. Thus, two successive weeks of falling claims shows employment scenario is improving.

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Markets

- **Bonds:** Global yields closed mixed amidst lack of progress in negotiations over US fiscal stimulus. US 10Y yield rose by 5bps (0.72%) supported by better jobless claims print. Crude prices fell by 1% (US\$ 45/bbl) as IEA projected oil demand to fall by 8.1mn bpd. India's 10Y yield rose by 1bps (5.90%). It is trading higher at 5.95% today as CPI inflation remained elevated in Jul'20.
- **Currency:** Global currencies closed mixed. DXY fell by 0.1% as US stimulus talks remained deadlocked. GBP and EUR rose by 0.3% each on hopes of a post-Brexit deal. INR closed flat. It is however trading marginally higher today. Other Asian currencies are trading mostly lower.
- **Equity:** Barring Nikkei and Shanghai Comp (flat), other global indices ended lower as uncertainty loomed over the progress of US fiscal stimulus. FTSE (1.5%) declined the most followed by Dax (0.5%). Sensex (0.2%) too ended in red and was dragged down by banking and technology stocks. However, 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
10Y yields (Δ bps)						
US	0.72	5	18	10	10	(81)
UK	0.24	1	14	6	4	(17)
Japan	0.04	(1)	2	(1)	4	27
Germany	(0.41)	4	12	1	13	30
India	5.90	1	9	11	12	(73)
China	2.96	(2)	(3)	(10)	27	(5)
2Y yields (Δ bps)						
US	0.16	0	5	1	2	(133)
UK	(0.01)	(2)	3	9	2	(46)
Japan	(0.11)	(1)	(1)	1	4	17
Germany	(0.64)	2	5	2	10	27
India	4.24	(2)	4	8	(27)	(160)
China**	2.26	2	1	12	105	(26)
Currencies (Δ %)						
EUR	1.1814	0.3	(0.5)	4.1	9.3	6.4
GBP	1.3067	0.3	(0.6)	4.1	6.8	8.1
JPY	106.9300	0	(1.3)	0.3	0.3	(0.8)
AUD	0.7149	(0.2)	(1.2)	3.0	10.6	5.5
INR	74.8450	0	0.1	0.5	1.0	(5.0)
CNY	6.9451	(0.1)	0.1	0.7	2.1	1.3
Equity & Other indices (Δ %)						
Dow	27,897	(0.3)	1.9	6.9	18.1	9.1
FTSE	6,186	(1.5)	2.6	0.2	7.7	(12.5)
DAX	12,994	(0.5)	3.2	1.5	25.7	13.9
NIKKEI	23,250	1.8	3.7	2.0	16.7	13.9
Shanghai Comp	3,321	0	(1.9)	(3.6)	15.7	17.9
SENSEX	38,310	(0.2)	0.7	4.4	23.1	2.7
Brent (US\$/bbl)	44.96	(1.0)	(0.3)	5.2	44.4	(22.8)
Gold (US\$/oz)	1,954	2.0	(5.3)	8.4	12.9	28.3
CRB Index	378.6	0	(0.3)	4.1	4.0	(4.9)
Rogers Agri Index	707.5	1.6	1.5	3.4	8.2	2.6
LIBOR (3M)*	0.26	1	2	(1)	(12)	(186)
INR 5Y Swap*	5.27	0	5	2	11	(109)
India FII data (US\$ mn)						
	12 Aug	11 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(92.2)	86.3	(45.6)	(42.2)	(14,569.8)	(4,810.3)
FII-Equity	462.2	1,572.8	2,204.9	3,547.0	2,258.9	8,861.8

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

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