

## MACRO DAILY

14 July 2020

### Macro developments

- NSO released India's CPI data for Apr'20 and May'20 along with Jun'20. CPI in Q1 is at 6.5% (6.7% in Q4) and in Jun'20 at 6.1%. The negative surprise came from core inflation at 5.1% in Q1 from 4.1% in Q4. While core and food inflation will moderate, trajectory for H2 is higher than earlier estimated. RBI may still go for a 25bps rate cut to support growth but room is limited as most rate cuts are behind us.
- China's exports rose by 0.5% in Jun'20 versus est.: 2% decline and 3.3% drop in May'20. Imports too rose by 2.7% versus est.: 9% decline and 16.7% fall in May'20. In H1CY20, exports of PPE (32.4%), drugs (23.6%) and medical equipment (46.4%) rose the most. Trade surplus with US stood at US\$ 121bn in H1CY20 versus US\$ 296bn in CY19.
- Singapore's GDP contracted by 12.6% in Q2CY20 on a YoY basis versus est.: 10.5% decline and 0.7% dip in Q1CY20, showing the impact of partial lockdown in the country from 7 Apr to 1 Jun 2020. While manufacturing activity declined by 23.1% in Q2 versus 45.5% increase in Q1, services declined by 37.7% and construction by 95.6% in Q2.

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### Markets

- Bonds:** Except US, global yields closed higher amidst hopes of discovery of COVID-19 vaccine and a revival in economic activity. US 10Y yield fell by 3bps (0.62%) weighed down by rising cases and looming tensions over US-China trade deal. Crude prices fell by 1.2% (US\$ 43/bbl) ahead of OPEC+ meeting. India's 10Y yield rose by 3bps (5.79%). It is trading higher at 5.81% today, as core inflation shot up significantly in Q1FY21.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% on the back of surging COVID-19 cases and US-China trade tensions. EUR rose by 0.5% amidst expectation of progress in the € 750bn pandemic fund in the upcoming EU Summit. INR closed flat. It is trading lower today in line with other Asian currencies.
- Equity:** Led by hopes of COVID-19 vaccine, global indices ended higher. Nikkei (2.2%) surged the most followed by Shanghai Comp (1.8%). European indices too turned optimistic despite concerns over rising COVID-19 cases. Sensex rose by 0.3% led by IT and metal stocks. However, 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
<b>10Y yields (Δ bps)</b>						
US	0.62	(3)	(6)	(9)	(15)	(147)
UK	0.19	3	(2)	(2)	(12)	(62)
Japan	0.04	1	0	3	2	15
Germany	(0.42)	5	1	2	(7)	(17)
India	5.79	3	(5)	(1)	(71)	(65)
China	3.06	3	3	30	50	(13)
<b>2Y yields (Δ bps)</b>						
US	0.15	0	(1)	(4)	(9)	(168)
UK	(0.10)	1	(3)	(7)	(14)	(68)
Japan	(0.12)	(1)	0	2	3	6
Germany	(0.66)	3	2	1	(4)	7
India	4.15	4	0	(27)	(106)	(200)
China	2.13	(2)	4	16	93	(45)
<b>Currencies (Δ %)</b>						
EUR	1.1344	0.4	0.3	0.8	3.9	0.8
GBP	1.2555	(0.5)	0.5	0.1	0.3	0.3
JPY	107.29	(0.3)	0.1	0.1	0.4	0.6
AUD	0.6940	(0.1)	(0.5)	1.1	8.7	(1.4)
INR	75.19	0	(0.7)	0.9	1.4	(9.7)
CNY	6.9974	0.1	0.3	1.2	0.8	(1.7)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,086	0	(0.8)	1.9	11.5	(4.7)
FTSE	6,176	1.3	(1.7)	1.2	6.6	(18.0)
DAX	12,800	1.3	0.5	7.1	19.7	3.3
NIKKEI	22,785	2.2	0.3	2.1	19.6	5.8
Shanghai Comp	3,443	1.8	3.3	17.9	23.7	17.0
SENSEX	36,694	0.3	0.6	8.6	19.6	(5.7)
Brent (US\$/bbl)	42.72	(1.2)	(0.9)	10.3	34.6	(35.7)
Gold (US\$/oz)	1,803	0.2	1.0	4.2	5.1	27.5
CRB Index	363.5	0	0.5	(0.7)	2.6	(10.3)
Rogers Agri Index	684.4	(1.0)	(0.1)	1.5	5.0	(8.0)
LIBOR (3M)*	0.27	0	(1)	(5)	(91)	(204)
INR 5Y Swap*	5.25	(2)	(7)	3	(72)	(133)
<b>India FII data (US\$ mn)</b>						
	<b>10 Jul</b>	<b>09 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	62.4	(202.6)	(5.6)	8.9	(14,273.1)	(4,513.6)
FII-Equity	(124.1)	450.3	26.2	(157.6)	(2,599.1)	4,003.9

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

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