

MACRO DAILY

14 September 2020

Macro developments

- RBI purchased a record US\$ 16bn in Jul'20 (net) in the spot market versus net purchase of US\$ 9.8bn in Jun'20. In FYTD21, RBI purchased US\$ 29bn in spot market versus purchase of US\$ 9.8bn in FYTD20. In the forwards market, RBI sold US\$ 2.8bn versus purchase of US\$ 4.4bn in Jun'20. Separately, India's forex reserves rose to a life time high at US\$ 541.4bn in the week ended 28 Aug 2020.
- As per CMIE data, India's unemployment rate moderated to 7.77% as of 11 Sep'20 against 8.32% in the previous week. This was on account of moderation in both rural (7.07% against 7.66%) and urban (9.29% against 9.74%) unemployment rate. In Aug'20, unemployment rate was elevated at 8.35% against 7.40% in Jul'20.
- Both headline and core CPI in the US rose by 0.4% (MoM) in Aug'20 following a 0.6% increase in Jul'20. Within core CPI, 40% of the increase was attributed to sharp rise in prices of used cars and trucks. Rent, recreational activities, household furnishings and apparels also contributed to higher inflation. On YoY basis CPI was up by 1.3% versus 1% in Jul'20.

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Markets

- **Bonds:** Except China, global yields closed lower. UK 10Y yield fell the most by 5bps (0.18%) amidst growing tensions over Brexit. Despite inching up of CPI print, US 10Y yield fell a tad by 1bps (0.67%). Crude prices fell by 0.6% (US\$ 40/bbl) as demand concerns still linger. India's 10Y yield fell by 1bps (6.04%). It is trading at 6.06% today, ahead of CPI data.
- **Currency:** Global currencies closed mixed. DXY closed flat. EUR rose by 0.3% after ECB stated that it does not target the exchange rate. Brexit concerns continued to weigh on GBP which depreciated by 0.1%. INR fell by 0.1%. However, it is trading higher today in line with other Asian currencies.
- **Equity:** Barring Dax and Sensex which closed flat, other global indices ended higher. Shanghai Comp (0.8%) gained the most followed by Nikkei (0.7%). Dow too inched up by 0.5% as tech stocks continued to rebound. Sensex 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	0.67	(1)	(5)	(6)	(4)	(123)
UK	0.18	(5)	(8)	(6)	(3)	(58)
Japan	0.03	0	(1)	(1)	1	18
Germany	(0.48)	(5)	(1)	(7)	(4)	(3)
India	6.04	(1)	11	18	24	(60)
China	3.15	5	2	19	39	6
2Y yields (Δ bps)						
US	0.13	(1)	(2)	(4)	(7)	(167)
UK	(0.13)	(2)	(5)	(12)	(9)	(70)
Japan	(0.12)	(1)	(1)	(1)	2	12
Germany	(0.69)	(3)	1	(5)	(2)	1
India	4.48	(1)	14	24	6	(124)
China	2.60	3	1	35	63	7
Currencies (Δ %)						
EUR	1.1846	0.3	0.1	0.3	5.2	7.0
GBP	1.2796	(0.1)	(3.6)	(2.1)	2.0	2.4
JPY	106.16	0	0.1	0.7	1.1	1.8
AUD	0.7284	0.4	0	1.9	6.1	5.9
INR	73.54	(0.1)	(0.5)	1.7	3.0	(3.7)
CNY	6.8344	0	0.1	1.6	3.5	3.5
Equity & Other indices (Δ %)						
Dow	27,666	0.5	(1.7)	(0.8)	8.0	1.6
FTSE	6,032	0.5	4.0	(2.5)	(1.2)	(18.1)
DAX	13,203	0	2.8	1.6	10.5	5.9
NIKKEI	23,406	0.7	0.9	0.7	4.9	6.4
Shanghai Comp	3,260	0.8	(2.8)	(1.8)	11.7	7.9
SENSEX	38,855	0	1.3	1.4	15.0	3.9
Brent (US\$/bbl)	39.83	(0.6)	(6.6)	(11.4)	2.8	(33.9)
Gold (US\$/oz)	1,941	(0.3)	0.3	(0.7)	12.1	30.4
CRB Index	399.2	0.1	0.2	5.0	9.1	3.8
Rogers Agri Index	741.8	0.6	0.8	4.8	10.1	5.9
LIBOR (3M)*	0.25	0	0	(3)	(7)	(189)
INR 5Y Swap*	5.58	(3)	4	31	36	(73)
India FII data (US\$ mn)						
	9 Sep	10 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	2.3	65.2	64.2	223.9	(14,866.1)	(5,106.6)
FII-Equity	125.4	(130.3)	(3.2)	(155.2)	4,652.1	11,255.1

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

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