

MACRO DAILY

15 July 2020

Macro developments

- India's auto sales fell by 43% in Jun'20 versus a decline of 84.8% in May'20. While the pace of contraction has moderated as lockdown restrictions eased, sales still remain muted. Passenger car sales declined by 49.6% versus 85.2% decline in May'20. Auto sector stress continues from FY20 which ended on a weaker note with sales falling by 15% from 6.7% increase in FY19 due to weak demand.
- Bank of Japan (BoJ) kept short term interest rates unchanged at (-) 0.1% while guiding long-term rates at around 0%. It expects Japan's GDP to contract by 4.7% (3-5% decline estimated earlier) and CPI to fall by 0.5% in FY21 (0.3-0.7% decline estimated earlier). BOJ also decided to keep its corporate support measures worth ¥ 110tn (US\$ 1tn).
- US CPI rose sharply to 0.6% in Jun'20 versus a decline of 0.1% in May'20 on MoM basis as businesses began to reopen. This was led by 12.3% jump in gasoline prices (contraction of 3.5% in May'20). Core CPI too inched up to 0.2% in Jun'20 (decline of 0.1% in May'20). With gradual reopening in several states, prices are expected to stabilise as demand for goods and services picks up. However, surge in COVID-19 cases remains a key risk.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed on the back of rising cases in the US, hopes of EU stimulus and US-China trade tensions. US 10Y yield closed stable at 0.62% due to improving CPI print. Crude prices rose by 0.4% (US\$ 43/bbl) awaiting outcome of OPEC+ meeting. India's 10Y yield rose by 4bps (5.83%) amidst reports of higher borrowing by the Centre in H1FY20. It is trading further higher at 5.84% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.2% amidst rising COVID-19 cases in the US. EUR rose by 0.5% ahead of the EU summit. INR depreciated by 0.3% due to rising oil prices and FII outflows. However, it is trading higher today in line with Asian currencies.
- Equity:** Barring Dow and FTSE, other global indices ended lower due to rising COVID-19 cases globally. Sensex (1.8%) declined the most followed by Nikkei (0.8%). Sensex fell on the back of uncertainty as localised lockdowns continued. Banking and power stocks fell the most. 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	0.62	0	(2)	(8)	(13)	(148)
UK	0.15	(4)	(3)	(6)	(19)	(67)
Japan	0.03	(1)	(1)	2	0	15
Germany	(0.45)	(3)	(2)	(1)	(7)	(20)
India	5.83	4	3	3	(67)	(51)
China	3.00	(6)	(3)	24	45	(18)
2Y yields (Δ bps)						
US	0.16	1	0	(4)	(6)	(169)
UK	(0.10)	0	(3)	(7)	(18)	(69)
Japan	(0.13)	(1)	(1)	1	2	5
Germany	(0.67)	(1)	1	1	(1)	7
India	4.17	2	6	(25)	(104)	(194)
China	2.13	(2)	4	16	93	(45)
Currencies (Δ %)						
EUR	1.1400	0.5	1.1	1.3	3.8	1.7
GBP	1.2553	0	0.1	0.1	(0.6)	1.2
JPY	107.24	0	0.3	0.1	0	0.9
AUD	0.6975	0.5	0.4	1.6	8.3	(0.5)
INR	75.43	(0.3)	(0.7)	0.5	1.1	(9.8)
CNY	7.0058	(0.1)	0.1	1.1	0.6	(1.9)
Equity & Other indices (Δ %)						
Dow	26,643	2.1	2.9	4.1	11.2	(2.5)
FTSE	6,180	0.1	(0.2)	1.2	6.7	(18.4)
DAX	12,697	(0.8)	0.6	6.3	18.7	2.1
NIKKEI	22,587	(0.9)	(0.1)	1.3	15.0	4.9
Shanghai Comp	3,415	(0.8)	2.1	16.9	20.8	16.2
SENSEX	36,033	(1.8)	(1.7)	6.7	17.4	(7.9)
Brent (US\$/bbl)	42.90	0.4	(0.4)	10.8	44.9	(33.3)
Gold (US\$/oz)	1,809	0.4	0.8	4.5	4.8	28.7
CRB Index	363.9	0.1	0.4	(0.6)	2.9	(10.0)
Rogers Agri Index	682.2	(0.3)	(0.6)	1.2	5.2	(7.5)
LIBOR (3M)*	0.28	1	1	(5)	(90)	(202)
INR 5Y Swap*	5.26	1	(6)	4	(71)	(123)
India FII data (US\$ mn)						
	13 Jul	10 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	65.6	62.4	65.6	74.5	(14,207.5)	(4,448.0)
FII-Equity	(11.2)	(124.1)	(11.2)	(168.8)	(2,610.3)	3,992.7

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com