

## MACRO DAILY

15 June 2020

### Macro developments

- India's forex reserves rose by US\$ 8.2bn to a record-high at US\$ 501.7bn in the week ended 5 Jun 2020 compared with an increase of US\$ 3.4bn last week. This was the largest weekly increase since Sep'07. In CYTD20, forex reserves have risen by US\$ 44.2bn, higher compared with an accretion of US\$ 28.8bn last year.
- UK GDP contracted by 20.4% in Apr'20 against 5.8% decline in Mar'20. This was the worst contraction in past three centuries, led by sharp fall in construction (40% decline against 5.9% fall in Mar'20) and manufacturing (24.3% decline against 4.6% fall in Mar'20) activities. In a separate print UK's industrial production also fell by a record 20.3% in Apr'20.
- Japan's preliminary estimates for industrial production in Apr'20 was revised downward from a decline of 14.4% to 15% and from 5.2% in Mar'20 on a YoY basis. Steepest fall was visible in production of motor vehicles (44.1%), iron & steel (24.1%) and electrical machinery (12.8%). In addition, in view of growth slowdown, parliament has also approved ¥31.9tn second stimulus package.

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### Markets

- Bonds:** Global yields closed mixed amidst fear of second wave of infections as fresh COVID-19 cases emerged in Beijing. US 10Y yield rose by 4bps (0.71%). Crude prices rose by 0.5% (US\$ 39/bbl) supported by production cut decision. India's 10Y yield closed flat at 5.99%. It is trading lower at 5.98% today, supported by falling food inflation.
- Currency:** Except AUD, other global currencies closed lower amidst rising concerns over second wave of infections. DXY rose by 0.6%. GBP depreciated by 0.5% after data showed that UK's GDP contracted sharply in Apr'20. INR also fell by 0.3%. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed on the back of rising COVID-19 cases and possible fear of cases resurfacing again in China. Nikkei (1.3%) dropped the most followed by Dax (0.3%). However, Sensex (0.7%) ended in green, bouncing back from its previous losses with auto and telecom stocks advancing the most. It is trading lower today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.71	4	(19)	(4)	(14)	(143)
UK	0.21	1	(15)	(7)	(7)	(64)
Japan	0.01	0	(4)	0	7	12
Germany	(0.44)	(2)	(16)	10	33	(17)
India	5.99	0	(3)	(18)	(25)	(102)
China	2.79	2	(6)	13	14	(50)
<b>2Y yields (Δ bps)</b>						
US	0.19	(1)	(2)	2	(28)	(164)
UK	(0.05)	0	(6)	(6)	(25)	(64)
Japan	(0.17)	(3)	(5)	(1)	8	6
Germany	(0.69)	(4)	(9)	10	28	3
India	4.42	(2)	(3)	1	(97)	(184)
China	1.99	(1)	0	75	3	(54)
<b>Currencies (Δ %)</b>						
EUR	1.1256	(0.4)	(0.3)	4.6	1.0	0.2
GBP	1.2540	(0.5)	(1.0)	2.2	0.2	(0.6)
JPY	107.38	(0.5)	2.0	0.7	(2.1)	1.4
AUD	0.6866	0.2	(1.5)	5.6	9.9	(0.9)
INR	75.85	(0.1)	(0.4)	(0.1)	(2.1)	(9.0)
CNY	7.0835	(0.3)	0	0.5	(0.5)	(2.1)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	25,606	1.9	(5.6)	3.7	18.5	(3.7)
FTSE	6,105	0.5	(5.8)	2.3	16.0	(17.5)
DAX	11,949	(0.2)	(7.0)	10.6	30.7	(1.6)
NIKKEI	22,184	(1.3)	(3.0)	10.2	21.1	6.9
Shanghai Comp	2,920	0	(0.4)	0.9	(0.1)	0.3
SENSEX	33,781	0.7	(1.5)	6.3	2.3	(15.6)
Brent (US\$/bbl)	38.73	0.5	(8.4)	30.1	16.0	(37.1)
Gold (US\$/oz)	1,728	(0.6)	0.8	1.8	9.6	28.7
CRB Index	366.6	(0.3)	(0.5)	1.3	(7.4)	(11.3)
Rogers Agri Index	676.4	(1.0)	(0.7)	2.9	0.5	(11.3)
LIBOR (3M)*	0.32	0	0	(12)	(42)	(209)
INR 5Y Swap*	5.22	5	6	(9)	(39)	(156)
<b>India FII data (US\$ mn)</b>						
	<b>11 Jun</b>	<b>10 Jun</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	15.7	(10.1)	(65.2)	(290.9)	(14,346.2)	(4,586.7)
FII-Equity	113.2	(49.1)	266.4	2,864.5	(2,050.0)	4,553.0

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

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