

MACRO DAILY

16 July 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 124.5bn and stood at Rs 26.7tn for the week ending 10 Jul 2020. Reserve money rose by 13.9% on a YoY basis, compared with 12.6% a year ago. On a FYTD basis, reserve money increased by 4.8% as against 0.6% last year.
- China's GDP rose by 3.2% on a YoY basis in Q2CY20 versus a decline of 6.8% in Q1. Infrastructure spending by the government and reopening of domestic economy were the key drivers. Industrial production also improved to 4.8% in Jun'20 (4.4% in May'20). Retail sales contracted at a slower pace from 2.8% in May'20 to 1.8% in Jun'20, as demand gradually improved. Decline in FAI moderated much sharply in H1CY20 to 3.1% from 6.3% in Jan-May'20, indicating revival in investments.
- US industrial production rose by 5.4% in Jun'20 (est.: 4.3%) from 1.4% in May'20. Manufacturing output jumped 7.2% from 3.8% last month. Production of consumer goods, motor vehicles and parts and machinery surged the most. The improvement can be attributed to reopening of economic activity, however resurgence in cases and re-imposition of lockdown restrictions remain key concerns.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps (0.63%) due to improving industrial production print. Crude prices rose by 2.1% (US\$ 44/bbl) as revival in demand outweighed OPEC+ members decision to taper output cut from existing 9.7mn bbl/day to 7.7mn bbl/day starting from Aug-Dec 2020. India's 10Y yield fell by 1bps (5.81%) on expectation of OMO purchase announcement. It is trading at 5.82% today.
- **Currency:** Global currencies closed higher against the dollar boosted by hopes of a COVID-19 vaccine. DXY fell by 0.2% to a 1-month low. AUD rose the most by 0.5%. INR too appreciated by 0.4%. It is trading lower today in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp, other global indices ended higher on renewed hopes of COVID-19 vaccine. Both FTSE and Dax gained by 1.8% followed by Nikkei (1.6%). Sensex (0.1%) too inched up with tech stocks advancing the most. It is trading higher today while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.63	1	(3)	(9)	0	(142)
UK	0.17	2	(2)	(4)	(14)	(59)
Japan	0.04	0	0	3	2	16
Germany	(0.44)	0	0	0	2	(15)
India	5.81	(1)	3	2	(61)	(53)
China	2.96	(5)	(11)	15	43	(22)
2Y yields (Δ bps)						
US	0.16	0	0	(3)	(4)	(166)
UK	(0.08)	2	(1)	(5)	(12)	(63)
Japan	(0.13)	0	(1)	3	1	5
Germany	(0.67)	0	0	(1)	2	8
India	4.16	(2)	4	(24)	(95)	(194)
China	2.13	(2)	2	17	94	(45)
Currencies (Δ %)						
EUR	1.1412	0.1	0.7	0.8	4.6	1.7
GBP	1.2587	0.3	(0.2)	(0.1)	0.6	1.2
JPY	106.94	0.3	0.3	0.4	0.5	0.9
AUD	0.7008	0.5	0.4	1.3	10.9	0
INR	75.15	0.4	(0.2)	1.2	1.7	(9.2)
CNY	6.9889	0.2	0.2	1.4	1.1	(1.7)
Equity & Other indices (Δ %)						
Dow	26,870	0.9	3.1	4.3	14.3	(1.3)
FTSE	6,293	1.8	2.2	3.8	12.4	(16.5)
DAX	12,931	1.8	3.5	8.6	25.8	4.8
NIKKEI	22,946	1.6	2.3	6.6	17.4	6.9
Shanghai Comp	3,361	(1.6)	(1.2)	16.3	19.6	14.7
SENSEX	36,052	0.1	(0.8)	8.5	18.7	(8.1)
Brent (US\$/bbl)	43.79	2.1	1.2	10.2	58.1	(31.2)
Gold (US\$/oz)	1,810	0.1	0.1	4.9	5.4	26.9
CRB Index	365.9	0.5	0.8	0.4	4.1	(9.5)
Rogers Agri Index	688.4	0.9	(0.5)	2.4	6.8	(6.6)
LIBOR (3M)*	0.27	0	0	(3)	(86)	(203)
INR 5Y Swap*	5.26	0	(4)	6	(57)	(120)
India FII data (US\$ mn)						
	14 Jun	13 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	112.8	65.6	178.4	187.3	(14,094.7)	(4,335.2)
FII-Equity	(211.1)	(11.2)	(222.3)	(379.9)	(2,821.4)	3,781.6

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

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