

MACRO DAILY

16 June 2020

Macro developments

- India's trade deficit narrowed sharply to US\$ 3.2bn in May'20 from US\$ 6.8bn in Apr'20. The MoM improvement was driven by a sharp recovery in exports from a decline of 60.3% in Apr'20 to drop of 36.5% in May'20. Imports declined by 51% in May'20 (58.6% in Apr'20). Non-oil-non-gold imports recovered a bit. Given low oil prices and muted domestic demand, we expect India to report a current account surplus in FY21.
- China's PPI fell by 3.7% in May'20 versus estimated decline of 3.3% and 3.1% in Apr'20. While a part of this can be attributed to base effect, the other key reason is lower commodity prices, particularly oil. Prices in oil & natural gas industry fell by 57.6%, while in fuel processing industry prices were down by 24.4%. Separately, CPI eased to 2.4% in May'20 from 3.3% in Apr'20 as food inflation eased further to 10.6% from 14.8% in Apr'20.
- Bank of Japan (BoJ) kept policy rates unchanged. However, it has taken additional measures: 1) to support corporate financing through a special program of ¥ 110tn, 2) stabilise financial markets through unlimited Japanese government bonds purchases and US\$ operations and, 3) purchase of exchange traded funds (ETF) at an annual pace of ¥ 12tn.

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Markets

- Bonds:** Global yields closed mixed amidst surging COVID-19 cases in US, Latin America and China. US 10Y yield rose by 2bps (0.72%) as Fed decided to buy corporate bonds from secondary market. Crude prices rose by 2.6% (US\$ 40/bbl). India's 10Y yield fell by 2bps (5.97%) due to lower than expected WPI print. It is trading at 5.98% today.
- Currency:** Except INR and CNY, other global currencies closed higher against the dollar. DXY fell by 0.6% as risk sentiment improved after US Fed announced that it will buy corporate bonds. CNY fell as new COVID-19 cases emerged in Beijing. INR too depreciated by 0.1%. It is trading further lower while other Asian currencies are trading higher.
- Equity:** Barring Dow, other global indices ended lower led by escalated concerns around rising COVID-19 cases. Nikkei (3.5%) dropped the most followed by Sensex (1.6%) and Shanghai Comp (1%). Sensex was dragged down by banking and real estate stocks. 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	0.72	2	(15)	8	0	(137)
UK	0.21	0	(13)	(3)	(23)	(65)
Japan	0.01	0	(4)	1	(1)	13
Germany	(0.45)	(1)	(13)	9	2	(20)
India	5.97	(2)	(2)	19	(24)	(96)
China	2.81	5	(1)	15	14	(43)
2Y yields (Δ bps)						
US	0.19	0	(4)	4	(17)	(168)
UK	(0.04)	0	(4)	(4)	(31)	(65)
Japan	(0.16)	(2)	(4)	(2)	0	3
Germany	(0.66)	1	(4)	7	23	3
India	4.39	(3)	(6)	(11)	(102)	(184)
China	1.96	(1)	(6)	75	3	(74)
Currencies (Δ %)						
EUR	1.1323	0.6	0.3	4.6	1.3	0.9
GBP	1.2605	0.5	(0.9)	4.0	2.7	0.6
JPY	107.33	0	1.0	(0.3)	(1.4)	1.1
AUD	0.6919	0.8	(1.5)	7.9	13.1	1.0
INR	76.03	(0.2)	(0.6)	(0.6)	(2.4)	(8.8)
CNY	7.0908	(0.1)	(0.3)	0.2	(1.4)	(2.4)
Equity & Other indices (Δ %)						
Dow	25,763	0.6	(6.6)	8.8	27.6	(1.3)
FTSE	6,065	(0.7)	(6.3)	4.6	17.7	(17.6)
DAX	11,911	(0.3)	(7.1)	13.8	36.3	(1.4)
NIKKEI	21,531	(3.5)	(7.1)	7.5	26.6	1.9
Shanghai Comp	2,890	(1.0)	(1.6)	0.8	3.6	0.1
SENSEX	33,229	(1.6)	(3.3)	6.9	5.9	(14.7)
Brent (US\$/bbl)	39.72	2.6	(2.6)	22.2	32.2	(34.8)
Gold (US\$/oz)	1,725	(0.3)	1.6	(1.1)	13.9	28.8
CRB Index	364.3	(0.5)	(1.3)	0.4	(4.3)	(11.7)
Rogers Agri Index	671.5	(0.4)	(2.0)	2.1	3.0	(12.7)
LIBOR (3M)*	0.32	1	1	(6)	(57)	(210)
INR 5Y Swap*	5.20	(2)	7	2	(46)	(157)
India FII data (US\$ mn)						
	12 Jun	11 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	7.8	(10.1)	(57.5)	(283.1)	(14,338.4)	(4,578.9)
FII-Equity	65.1	(49.1)	331.6	2,929.7	(1,984.9)	4,618.1

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

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