

MACRO DAILY

18 August 2020

Macro developments

- In an effort to provide greater funding to NBFCs, government has decided to expand the Partial Credit Guarantee Scheme (PCGS) 2.0 by another three months till 19 Nov'20. It has also allowed PSBs to invest up to 50% of total investments in AA and AA- rated bonds against 25% earlier..
- Japan's GDP contracted by 27.8% in Q2CY20 on a YoY basis versus 2.2% drop in Q1. Steepest decline in 40 years was driven by 8.2% drop in private consumption and 18.5% fall in net exports. However, at the end of Q2 signs of revival have become visible with industrial production rising by 1.9% in Jun'20 on a MoM basis from 8.9% decline in May'20. Production of transport, electrical machinery & IC equipment rose the most.
- Amidst COVID-19 pandemic, Thailand's GDP contracted by 12.2% (lowest in 22 years) in Q2CY20 on a YoY basis after declining by 1.8% in Q1. In Q2, exports were down by 28.3%, while private investment fell by 15% and consumption by 6.6%. In CY21, government estimates economy to contract by 7.3-7.8%.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell by 2bps (0.69%) awaiting Fed minutes. Other global macro data also remained weak. Crude prices rose by 1.3% (US\$ 45/bbl). India's 10Y yield closed flat at 5.95% and is also trading at same level today.
- **Currency:** Except INR, other global currencies closed higher against the dollar. DXY depreciated for the 4th straight session and ended lower by 0.3% amidst an improvement in risk sentiment. AUD and JPY gained the most by 0.6% each. INR closed flat. It is however trading higher today, in line with other Asian currencies.
- **Equity:** Barring Dow and Nikkei, other global indices ended higher. Shanghai Comp (2.3%) surged the most followed by FTSE (0.6%). Sensex (0.5%) too ended in green with power and auto stocks advancing the most. It is trading higher today while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 0.69 | (2) | 11 | 7 | (4) | (92) |
| UK | 0.22 | (3) | 9 | 8 | (4) | (25) |
| Japan | 0.05 | 0 | 4 | 2 | 5 | 27 |
| Germany | (0.45) | (3) | 8 | 1 | 2 | 20 |
| India | 5.95 | 0 | 9 | 14 | 18 | (64) |
| China | 2.95 | 1 | (1) | (2) | 23 | (7) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.15 | 1 | 2 | 1 | (3) | (139) |
| UK | (0.04) | (3) | (1) | 5 | (5) | (54) |
| Japan | (0.11) | 0 | 1 | 2 | 5 | 17 |
| Germany | (0.66) | (1) | 5 | 1 | 3 | 24 |
| India | 4.27 | 2 | 2 | 11 | (25) | (159) |
| China | 2.26 | 0 | 5 | 20 | 104 | (26) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1870 | 0.2 | 1.1 | 4.3 | 8.8 | 7.1 |
| GBP | 1.3103 | 0.1 | 0.2 | 4.4 | 7.5 | 8.1 |
| JPY | 106.0000 | 0.6 | 0 | 1.2 | 1.2 | 0.6 |
| AUD | 0.7214 | 0.6 | 0.9 | 3.5 | 10.6 | 6.7 |
| INR | 74.8862 | 0 | 0 | 0.4 | 1.4 | (4.8) |
| CNY | 6.9329 | 0.3 | 0.4 | 0.8 | 2.5 | 1.7 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,845 | (0.3) | 0.2 | 4.2 | 13.2 | 6.5 |
| FTSE | 6,127 | 0.6 | 1.3 | (2.0) | 1.3 | (14.8) |
| DAX | 12,921 | 0.1 | 1.8 | 0.4 | 16.8 | 10.3 |
| NIKKEI | 23,097 | (0.8) | 3.4 | 1.4 | 14.7 | 12.3 |
| Shanghai Comp | 3,439 | 2.3 | 1.8 | 7.1 | 19.6 | 19.3 |
| SENSEX | 38,051 | 0.5 | (0.3) | 4.3 | 26.7 | 1.7 |
| Brent (US\$/bbl) | 45.37 | 1.3 | 0.8 | 4.6 | 30.3 | (24.1) |
| Gold (US\$/oz) | 1,985 | 2.1 | (2.1) | 10.5 | 14.6 | 32.7 |
| CRB Index | 382.0 | 0.4 | 0.6 | 4.4 | 4.5 | (3.7) |
| Rogers Agri Index | 716.9 | 1.2 | 3.4 | 3.8 | 8.5 | 4.2 |
| LIBOR (3M)* | 0.27 | (1) | 1 | 0 | (11) | (188) |
| INR 5Y Swap* | 5.36 | 2 | 8 | 10 | 25 | (93) |
| India FII data (US\$ mn) | | | | | | |
| | 14 Aug | 13 Aug | WTD | MTD | CYTD | FYTD |
| FII-Debt | (83.2) | 78.9 | (49.9) | (46.4) | (14,574.1) | (4,814.6) |
| FII-Equity | (25.1) | 66.4 | 2,246.2 | 3,588.3 | 2,300.1 | 8,903.1 |

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

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