

MACRO DAILY

18 June 2020

Macro developments

- RBI as the regulator of HFC's has proposed certain changes such as providing a formal definition of housing finance (not available under NHB). It has also proposed that HFCs should not be simultaneously allowed to lend to a real estate developer as well as homebuyers in the developer's project. Further, HFCs will be classified as systematically important (asset size of Rs 500crore & above) and non-systemically important. Changes are also proposed in capital requirements norms.
- US housing starts rose by 4.3% in May'20 on a MoM basis versus 26.4% decline in Apr'20, led by multi-family housing units (15%). Sharp rebound (14.4%) was also visible in future housing permits, with permits for single family units up by 11.9% and multi-family units by 18.8%. According to news reports, home loan applications have also risen to 11.5 year high in May'20 as 30Y mortgage rates are down to 3.3%.
- Japan's exports plunged 28.3% in May'20 from 21.9% decline in Apr'20. This is the lowest reading since Sep'09 (-30.6%) and was driven by steep fall in exports of cars (64.1%) and car parts (57.6%). Imports too fell by 26.2% from 7.1% in Apr'20, driven by energy commodities and aircraft. Plunging commodity prices have majorly impacted imports.

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Markets

- **Bonds:** Global yields closed mixed due to travel curbs in Beijing due to rising cases. US 10Y yield fell by 1bps (0.74%) as US Fed Chair expressed concern about the ongoing pandemic. Crude prices fell by 0.5% (US\$ 41/bbl). India's 10Y yield fell by 2bps (6.01%) on easing concerns of border issue with China. It is trading flat today.
- **Currency:** Global currencies closed mixed. DXY rose by 0.2% amidst rising cases of COVID-19 in some US states. GBP depreciated by 0.5% ahead of BoE meeting. INR rose by 0.1% even as geo-political tensions increased. It is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Global indices ended mixed driven by rising fear of COVID-19 and possibility of second wave of infections in China. Both Dow and Nikkei ended lower by 0.6% each. Sensex (0.3%) too ended in red on the back of geo-political tensions between India and China at the Ladakh border. It is trading lower 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 | 0.74 | (1) | 7 | 8 | 0 | (137) |
| UK | 0.18 | (1) | (1) | (3) | (23) | (65) |
| Japan | 0.01 | 0 | 0 | 1 | (1) | 13 |
| Germany | (0.43) | 0 | (1) | 9 | 2 | (20) |
| India | 6.01 | (2) | 2 | 19 | (24) | (96) |
| China | 2.90 | 3 | 13 | 15 | 14 | (43) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.19 | (2) | 2 | 4 | (17) | (168) |
| UK | (0.07) | (2) | (3) | (4) | (31) | (65) |
| Japan | (0.17) | 0 | (3) | (2) | 0 | 3 |
| Germany | (0.68) | (1) | (7) | 7 | 23 | 3 |
| India | 4.41 | 1 | (2) | (11) | (102) | (184) |
| China | 1.96 | (1) | (6) | 75 | 3 | (74) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1244 | (0.2) | (1.1) | 4.6 | 1.3 | 0.9 |
| GBP | 1.2521 | (0.5) | (1.8) | 4.0 | 2.7 | 0.6 |
| JPY | 107.01 | 0.3 | 0.1 | (0.3) | (1.4) | 1.1 |
| AUD | 0.6884 | (0.1) | (1.6) | 7.9 | 13.1 | 1.0 |
| INR | 76.17 | 0.1 | (0.8) | (0.6) | (2.4) | (8.8) |
| CNY | 7.0855 | 0.0 | (0.3) | 0.2 | (1.4) | (2.4) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 26,120 | (0.6) | (3.2) | 8.8 | 27.6 | (1.3) |
| FTSE | 6,253 | 0.2 | (1.2) | 4.6 | 17.7 | (17.6) |
| DAX | 12,382 | 0.5 | (1.2) | 13.8 | 36.3 | (1.4) |
| NIKKEI | 22,456 | (0.6) | (2.9) | 7.5 | 26.6 | 1.9 |
| Shanghai Comp | 2,936 | 0.1 | (0.3) | 0.8 | 3.6 | 0.1 |
| SENSEX | 33,508 | (0.3) | (2.2) | 6.9 | 5.9 | (14.7) |
| Brent (US\$/bbl) | 40.63 | (0.5) | (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) | | | | | | |
| | 16 Jun | 15 Jun | WTD | MTD | CYTD | FYTD |
| FII-Debt | (67.6) | (21.7) | (89.4) | (372.5) | (14,427.8) | (4,668.3) |
| FII-Equity | (195.0) | (349.9) | (544.9) | 2,384.7 | (2,529.8) | 4,073.2 |

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

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