

MACRO DAILY

20 August 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 56bn and stood at Rs 26.9tn for the week ending 14 Aug 2020. Reserve money rose by 14.4% on a YoY basis, compared with 13.6% a year ago. On a FYTD basis, reserve money increased by 5.7% as against 1% last year.
- US Fed minutes highlighted the commitment to maintain ultra-accommodative monetary policy to support the economy. FOMC members also backed away from any guidance shift in their upcoming Sep'20 meeting. On the state of the economy, they noted some recent optimism in few macro indicators. However, the path of the recovery would depend on containment of the virus.
- Euro Area CPI rose by 0.4% in Jul'20 from 0.3% in Jun'20. Core CPI showed sharper improvement at 1.2% versus 0.8% in Jun'20. This was driven by higher prices of both non-industrial goods and services, each rising by 0.4%. CPI in UK too edged up to 1% in Jul'20 from 0.6% in Jun'20 as lockdown restrictions eased. Prices of clothing and footwear contributed most to the gains.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield rose a tad by 1bps (0.68%) as Fed refrained from commenting on change in guidance shift. UK 10Y yield rose by 2bps due to unexpected rise in inflation. Crude prices fell by 0.2% (US\$ 45/bbl) as OPEC+ meeting highlighted demand concerns. India's 10Y yield rose by 1bps (5.96%) and is trading steady today.
- **Currency:** Global currencies closed lower against the dollar. DXY rebounded and rose by 0.7% after the release of Fed minutes. GBP fell by 1.1% even as CPI inflation edged up to its highest since Mar'20. INR too depreciated marginally by 0.1%. It is trading further lower today, while other Asian currencies are trading mixed.
- **Equity:** Barring Shanghai Comp and Dow, other global indices ended higher. FTSE and Dax gained the most. Steady pick-up in inflation in Europe helped boost investor sentiments. Sensex rose by 0.2%, supported by realty and oil & gas stocks. 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	0.68	1	1	7	0	(91)
UK	0.24	2	0	9	1	(24)
Japan	0.03	(1)	(1)	0	3	27
Germany	(0.47)	(1)	(3)	(1)	0	20
India	5.96	1	11	16	18	(61)
China	3.00	2	2	6	33	(6)
2Y yields (Δ bps)						
US	0.14	0	(2)	(1)	(2)	(143)
UK	(0.03)	2	(4)	7	(1)	(54)
Japan	(0.11)	0	(1)	2	4	19
Germany	(0.67)	(1)	(1)	0	0	22
India	4.26	(1)	0	8	(27)	(158)
China	2.42	17	19	36	105	(10)
Currencies (Δ %)						
EUR	1.1838	(0.8)	0.5	3.4	7.8	6.8
GBP	1.3098	(1.1)	0.5	3.5	7.0	8.0
JPY	106.1200	(0.7)	0.7	1.1	1.3	0.5
AUD	0.7182	(0.8)	0.3	2.4	8.9	5.9
INR	74.8200	(0.1)	0	0.1	1.3	(4.6)
CNY	6.9207	0	0.2	0.9	2.4	2.0
Equity & Other indices (Δ %)						
Dow	27,693	(0.3)	(1.0)	3.8	12.7	5.7
FTSE	6,112	0.6	(2.7)	(2.4)	0.7	(15.2)
DAX	12,977	0.7	(0.6)	(0.5)	15.6	10.0
NIKKEI	23,111	0.3	1.2	1.7	12.2	12.1
Shanghai Comp	3,408	(1.2)	2.7	2.8	18.2	18.3
SENSEX	38,615	0.2	0.6	3.2	25.3	4.2
Brent (US\$/bbl)	45.37	(0.2)	(0.1)	4.8	26.9	(24.8)
Gold (US\$/oz)	1,929	(3.7)	0.7	6.1	10.3	28.4
CRB Index	384.1	0.1	1.5	4.7	4.2	(3.0)
Rogers Agri Index	718.3	0.4	3.1	4.1	7.8	4.4
LIBOR (3M)*	0.25	(1)	(1)	0	(11)	(189)
INR 5Y Swap*	5.40	4	13	12	24	(88)
India FII data (US\$ mn)						
	18 Aug	17 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(22.5)	(38.8)	(61.3)	(107.8)	(14,635.4)	(4,875.9)
FII-Equity	140.5	1,645.2	1,785.7	5,374.1	4,085.9	10,688.8

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

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