

MACRO DAILY

20 July 2020

Macro developments

- RBI's fortnightly data indicates credit growth eased further to 6.1% as of 3 Jul 2020 from 6.2% in the previous fortnight and 12% in the same period last year. With economic uncertainty prevailing, bank deposits continue to maintain steady growth at 11%, same as previous fortnight versus 10.3% in the same period last year.
- US housing starts rose by 17.3% in Jun'20 to 1.19mn against 1.01mn in May'20. This was on the back of gradual reopening of the economy and was also supported by lowest mortgage rates in over 50 years. In a separate print, US (University of Michigan) consumer sentiment fell to 73.2 in Jul'20 against 78.1 in Jun'20 as rising cases posed considerable risk.
- Euro Area CPI rose by 0.3% in Jun'20 from 0.1% in May'20. Gradual pickup was largely owing to phased re-opening of economies in Europe. Major drivers were higher prices of food, alcohol & tobacco, services and non-energy industrial goods. Pace of contraction in energy prices also eased.

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Markets

- **Bonds:** Global yields closed mixed amidst rising cases in the US, expectation of stimulus from EU and US-China trade tensions. US 10Y yield rose by 1bps (0.63%) supported by better housing data. Crude prices fell by 0.5% (US\$ 43/bbl) supported by easing production cut. India's 10Y yield fell by 1bps (5.81%). It is trading at 5.8% today.
- **Currency:** Apart from CNY (flat), other global currencies closed higher. DXY fell by 0.4% amidst rising COVID-19 cases in the US. EUR rose by 0.4% awaiting results of the EU summit. INR rose by 0.2% as oil prices eased. It is trading higher today while other Asian currencies are trading lower.
- **Equity:** Barring Dow and Nikkei, other global indices ended higher on expectations of economic stimulus from EU and possibility of COVID-19 vaccine in the coming months. European indices ended in green. Sensex (1.5%) gained the most amongst other indices led by energy stocks. 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	0.63	1	(2)	(13)	(2)	(143)
UK	0.16	2	1	(4)	(14)	(57)
Japan	0.02	0	0	0	0	16
Germany	(0.45)	2	2	(2)	3	(12)
India	5.81	(1)	5	(4)	(54)	(56)
China	2.97	0	(7)	11	42	(20)
2Y yields (Δ bps)						
US	0.15	0	(1)	(5)	(6)	(167)
UK	(0.09)	1	2	(5)	(18)	(61)
Japan	(0.13)	2	(1)	1	0	7
Germany	(0.66)	2	2	(1)	2	10
India	4.16	(2)	4	(24)	(66)	(190)
China	2.06	(7)	(7)	6	84	(52)
Currencies (Δ %)						
EUR	1.1428	0.4	1.1	1.5	5.1	1.8
GBP	1.2568	0.1	(0.4)	0	0.6	0.5
JPY	107.02	0.2	(0.1)	0.3	0.5	0.6
AUD	0.6996	0.4	0.7	1.6	9.9	(0.7)
INR	75.02	0.2	0.2	1.6	1.8	(9.0)
CNY	6.9924	0	0.1	1.3	1.1	(1.6)
Equity & Other indices (Δ %)						
Dow	26,672	(0.2)	2.3	1.5	10.0	(1.8)
FTSE	6,290	0.6	3.2	0.8	8.7	(16.2)
DAX	12,920	0.3	2.3	4.9	21.6	5.4
NIKKEI	22,696	(0.3)	1.8	0.5	14.1	5.7
Shanghai Comp	3,214	0.1	(5.0)	9.6	13.2	9.9
SENSEX	37,020	1.5	1.2	10.2	17.2	(3.4)
Brent (US\$/bbl)	43.14	(0.5)	(0.2)	5.3	53.6	(30.9)
Gold (US\$/oz)	1,810	0.7	0.7	4.9	7.6	27.0
CRB Index	365.9	0	0.7	0.8	4.3	(9.9)
Rogers Agri Index	695.2	0.6	0.6	3.5	7.7	(6.1)
LIBOR (3M)*	0.27	0	0	(4)	(84)	(199)
INR 5Y Swap*	5.25	(1)	(2)	7	(32)	(118)
India FII data (US\$ mn)						
	16 Jul	15 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(81.5)	(77.2)	19.7	28.5	(14,253.5)	(4,494.0)
FII-Equity	(159.8)	(4.7)	(386.7)	(544.4)	(2,985.8)	3,617.1

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

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