

MACRO DAILY

21 July 2020

Macro developments

- Pace of contraction in India's port cargo volumes reduced in Jun'20 to 14.5% from 23.3% in May'20. Owing to reduced economic activity amidst nationwide and global lockdown, volumes fell by 19.7% in Q1FY21 versus 1.5% increase last year and 0.4% increase in Q4FY20. Separately, jobs data showed after collapse in additions to EPFO subscriber base in Apr'20 (0.1mn), there is marginal pickup seen in May'20 with 0.32mn additions.
- Japan's exports declined by 26.2% in Jun'20 higher than an estimated decline of 24.7% due to weak global demand. However the pace of contraction was lower than 28.3% in May'20. The decline was led by sharp fall in exports to the US and EU at 46.6% and 28.4% respectively. Imports too contracted by 14.4% versus 26.2% in May'20. Separately, CPI inflation in Japan rose by 0.1% Jun'20, unchanged from last month.
- Germany's producer price for industrial products contracted at a slower pace by 1.8% in Jun'20 from a decline of 2.2% in May'20 on a YoY basis. Prices of both consumer durable and capital goods rose by 1.5% and 1.2% respectively. The increase was however offset by sharp decline of 6.2% in energy prices with prices of petroleum products falling by 20.5% in Jun'20 (5.5% in May'20).

Jahnvi | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except Japan, global yields closed lower. US 10Y yield fell by 2bps (0.61%) due to rising COVID-19 cases. Crude prices rose by 0.3% (US\$ 43/bbl) on hopes of discovery of vaccine. It is trading further higher today supported by EU's decision of providing € 750bn stimulus. India's 10Y yield fell by 1bps (5.8%). It is trading at flat today.
- **Currency:** Except JPY, other global currencies closed higher. Hopes of COVID-19 vaccine and a deal on the € 750bn recovery fund in the EU summit boosted sentiments. While EUR rose by 0.2% to a 4-month high, DXY fell by 0.1%. INR rose by 0.1%. It is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Barring FTSE, other global indices ended higher over positive results of COVID-19 vaccine and EU's decision on € 750bn recovery fund. Shanghai Comp (3.1%) surged the most. Sensex (1.1%) too gained led by tech 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	0.61	(2)	(1)	(8)	0	(144)
UK	0.15	(1)	(4)	(9)	(19)	(56)
Japan	0.03	1	(1)	1	1	17
Germany	(0.46)	(1)	(4)	(5)	(1)	(11)
India	5.80	(1)	1	(5)	(41)	(62)
China	2.94	(2)	(12)	6	36	(21)
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	1.1448	0.2	0.9	2.4	5.4	2.1
GBP	1.2661	0.7	0.8	2.5	1.8	1.5
JPY	107.27	(0.2)	0	(0.4)	0.3	0.6
AUD	0.7016	0.3	1.1	2.6	10.7	(0.3)
INR	74.92	0.1	0.4	1.7	2.1	(8.7)
CNY	6.9836	0.1	0.2	1.2	1.3	(1.5)
Equity & Other indices (Δ %)						
Dow	26,681	0	2.3	3.1	12.8	(1.8)
FTSE	6,262	(0.5)	1.4	(0.5)	7.7	(16.7)
DAX	13,047	1.0	1.9	5.8	22.2	6.2
NIKKEI	22,717	0.1	(0.3)	1.1	15.5	6.1
Shanghai Comp	3,314	3.1	(3.8)	11.7	16.2	14.8
SENSEX	37,419	1.1	2.0	7.7	18.2	(1.6)
Brent (US\$/bbl)	43.28	0.3	1.3	2.6	69.3	(31.6)
Gold (US\$/oz)	1,818	0.4	0.8	4.2	7.2	27.6
CRB Index	366.8	0	0.9	1.0	4.5	(9.6)
Rogers Agri Index	690.4	(0.7)	0.9	2.5	6.9	(5.8)
LIBOR (3M)*	0.27	0	0	(3)	(83)	(201)
INR 5Y Swap*	5.28	3	3	12	(4)	(117)
India FII data (US\$ mn)						
	17 Jul	16 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	8.7	(81.5)	28.4	37.3	(14,244.7)	(4,485.2)
FII-Equity	106.8	(159.8)	(279.9)	(437.5)	(2,879.0)	3,724.0

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

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com