

## MACRO DAILY

26 August 2020

### Macro developments

- RBI's balance sheet expanded by 30% in FY20 to Rs 53tn led by FX intervention, higher gold prices and OMOs. Notes in circulation increased by 22% to Rs 26.35tn followed by CGRA which was up by Rs 3.1tn to Rs 9.77tn. Surplus liquidity with SCBs deposits with RBI under reverse repo increased to Rs 7tn from Rs 2.15tn last year. RBI's surplus fell to Rs 571bn in FY20 from Rs 1,760bn last year.
- US macro prints remained mixed. Consumer confidence index tumbled to lowest since May'14 (84.8 in Aug'20 from 91.7 in Jul'20). This was led by deterioration in sentiments about business and employment conditions. In a separate print, US new home sales rose to its highest since Dec'06 to 0.9mn in Jul'20 (0.79mn in Jun'20).
- Germany's IFO business climate index rose to 92.6 points in Aug'20 from 90.4 in Jul'20, led by marked increase in confidence in manufacturing (5.4 versus -12.1) and services sector (7.8 versus 2.1). Separately, Germany's Q2CY20 GDP print showed the economy contracted by 9.7% after a decline of 2% in Q1. Barring government consumption (1.5%), all other components fell with private consumption, construction taking the lead.

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### Markets

- **Bonds:** Except India, global yields closed higher boosted by optimism surrounding US-China trade deal. US 10Y yield rose by 4bps (0.69%). Crude prices rose by 1.8% (US\$ 46/bbl) due to supply disruption in the Gulf of Mexico. India's 10Y yield fell by 4bps (6.13%) supported by RBI's special OMO announcement. It is trading at 6.12% today.
- **Currency:** Except JPY and INR, other global currencies closed higher against the dollar. DXY fell by 0.2% ahead of Fed Chair's speech. EUR rose by 0.4% as Germany's business climate rose more than expected in Aug'20. INR closed flat. It is trading further higher today, while other Asian currencies are trading lower.
- **Equity:** Global indices ended mixed on the back of subdued data print (US consumer confidence, Q2 Germany GDP). Amongst other indices, FTSE (1.1%) dropped the most, followed by Dow and Shanghai Comp. Sensex, on the other hand inched up by 0.1% led by banking stocks. It is trading lower today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.69	4	2	7	0	(88)
UK	0.27	5	5	7	4	(27)
Japan	0.03	1	(1)	1	3	29
Germany	(0.43)	7	3	(4)	0	18
India	6.13	(4)	18	34	41	(32)
China	3.06	6	8	13	34	(5)
<b>2Y yields (Δ bps)</b>						
US	0.14	(1)	0	0	(2)	(139)
UK	(0.03)	1	1	5	1	(50)
Japan	(0.12)	(2)	(1)	3	5	22
Germany	(0.67)	1	(1)	(3)	0	22
India	4.38	1	11	20	(6)	(138)
China	2.45	1	23	18	104	(14)
<b>Currencies (Δ %)</b>						
EUR	1.1835	0.4	(0.8)	1.1	8.2	6.2
GBP	1.3146	0.6	(0.7)	2.1	7.2	6.9
JPY	106.3100	(0.3)	(0.9)	0.2	1.6	0.1
AUD	0.7195	0.4	(0.7)	0.8	9.4	5.7
INR	74.3213	0	0.6	0.7	2.2	(3.2)
CNY	6.9129	0.1	0.1	1.4	3.0	3.2
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,248	(0.2)	1.7	6.9	15.7	9.3
FTSE	6,037	(1.1)	(0.7)	(0.3)	1.9	(14.0)
DAX	13,062	0	1.4	1.8	14.7	12.1
NIKKEI	23,297	1.4	1.1	1.0	10.8	13.4
Shanghai Comp	3,379	(0.2)	(2.1)	5.9	20.1	18.2
SENSEX	38,844	0.1	0.8	1.8	26.5	3.5
Brent (US\$/bbl)	45.92	1.8	1.0	4.1	27.0	(23.1)
Gold (US\$/oz)	1,929	(0.6)	(2.8)	1.4	11.4	26.3
CRB Index	387.5	0.3	1.0	3.7	6.0	(1.1)
Rogers Agri Index	721.5	0.2	0.6	4.0	9.1	5.5
LIBOR (3M)*	0.25	(1)	(2)	0	(12)	(189)
INR 5Y Swap*	5.54	6	18	31	41	(62)
<b>India FII data (US\$ mn)</b>						
	<b>24 Aug</b>	<b>21 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	17.4	129.3	17.4	(13.3)	(14,540.9)	(4,781.4)
FII-Equity	142.0	58.5	142.0	5,699.9	4,411.8	11,014.7

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

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