

MACRO DAILY

26 June 2020

Macro developments

- In an effort to provide a helping hand to non-MSMEs, government is considering a one-time loan restructuring facility especially for those businesses which have been severely hit by the pandemic. Similar facility has already been extended by RBI to MSMEs till Dec'20 from Mar'20 earlier. Further, government is also planning to extend the existing emergency line of credit (Rs 3tn) to MSMEs.
- US GDP contracted by 5% in Q1CY20 on the back of lockdown imposed amidst the COVID-19 pandemic and is expected to decline further in Q2CY20. Separately, new orders for durable goods rebounded by 15.8% in May'20 from a decline of 18.1% in Apr'20, led by soaring of orders for transportation equipment and auto vehicles and parts. Initial jobless claims dropped by 60,000 to 1.48mn for the week ending 13 Jun.
- Germany's consumer confidence is expected to improve further in Jul'20 as the Gfk index rose to (-) 9.6 points from (-) 18.6 in Jun'20. Improvement was seen across all 3 sub-indices-economic and income expectations and propensity to buy. This was largely driven by economic stimulus package announced by the government, which also includes temporary VAT reductions.

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Markets

- Bonds:** Except US and Japan, global yields closed lower amidst rising COVID-19 cases. BoJ governor also expressed concerns of a second wave of infection. US 10Y yield rose a tad by 1bps (0.69%). Crude prices rose by 1.8% (US\$ 41/bbl) on account of production cut. India's 10Y yield fell by 4bps (6%) taking global cues. It is trading flat at 6% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.3% as concerns resurfaced over rising COVID-19 cases in the US. EUR fell by 0.3% as trade tensions with US emerged. INR ended marginally higher by 0.1%. However it is trading higher today in line with other Asian currencies.
- Equity:** Barring Nikkie and Sensex, other global indices ended higher. Dow (1.2%) gained the most as the durable goods orders surprised positively. European indices too ended in green. However, Sensex declined by 0.1%, dragged down 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	0.69	1	(2)	3	(16)	(133)
UK	0.15	(4)	(7)	(2)	(25)	(67)
Japan	0.02	0	0	1	1	16
Germany	(0.47)	(3)	(6)	3	(11)	(15)
India	6.00	(4)	2	25	(22)	(90)
China	2.87	(4)	1	21	28	(39)
2Y yields (Δ bps)						
US	0.19	0	(1)	2	(11)	(156)
UK	(0.08)	0	(4)	(3)	(21)	(68)
Japan	(0.12)	1	1	2	10	8
Germany	(0.69)	(2)	(4)	(1)	(5)	5
India	4.31	(3)	(4)	(11)	(121)	(197)
China	2.18	(5)	2	77	44	(45)
Currencies (Δ %)						
EUR	1.1218	(0.3)	0.1	2.9	1.7	(1.3)
GBP	1.2419	0	0	1.9	1.8	(2.0)
JPY	107.19	(0.1)	(0.2)	0.5	2.2	0.6
AUD	0.6887	0.3	0.5	5.2	13.6	(1.7)
INR	75.67	0.1	0.6	0	(0.7)	(9.6)
CNY	7.0782	(0.3)	0.2	0.8	0	(2.9)
Equity & Other indices (Δ %)						
Dow	25,746	1.2	(1.3)	3.0	14.2	(2.9)
FTSE	6,147	0.4	(1.2)	1.3	5.7	(17.0)
DAX	12,178	0.7	(0.8)	6.9	21.8	(0.8)
NIKKEI	22,260	(1.2)	(0.4)	7.3	19.3	4.3
Shanghai Comp	2,980	0.3	1.4	5.7	7.8	(0.6)
SENSEX	34,842	(0.1)	1.9	13.8	16.3	(12.0)
Brent (US\$/bbl)	41.05	1.8	(1.1)	15.5	55.8	(38.3)
Gold (US\$/oz)	1,764	0.1	2.4	1.8	8.1	25.1
CRB Index	362.0	0.2	(0.4)	(1.4)	(3.4)	(11.4)
Rogers Agri Index	665.6	(0.2)	(0.8)	(0.3)	(0.9)	(12.3)
LIBOR (3M)*	0.28	(1)	(2)	(9)	(109)	(204)
INR 5Y Swap*	5.25	(3)	9	12	(98)	(149)
India FII data (US\$ mn)						
	24 Jun	23 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	14.8	60.1	99.0	(363.3)	(14,418.6)	(4,659.1)
FII-Equity	144.0	17.1	217.8	2,939.8	(1,974.7)	4,628.2

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Note: Markets in China were closed on 25.06.2020

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