

MACRO DAILY

27 August 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 33.8bn and stood at Rs 26.8tn for the week ending 21 Aug 2020. Reserve money rose by 15% on a YoY basis, compared with 11.9% a year ago. On a FYTD basis, reserve money increased by 5.4% as against 0.2% last year.
- Industrial profits in China rose by 19.6% (YoY) in Jul'20 from 11.5% in Jun'20. This was led by recovery in equipment manufacturing industry (44.3%), mainly automobiles (125.5%) and electronics (38.6%), and hi-tech manufacturing (36.5%). On CYTD basis, profits were lower by 8.1% versus decline of 12.8% in H1CY20. SoEs have contributed more to the decline (23.5%) compared with private firms (5.3%).
- US durable goods orders surprised positively and rose for the 3rd straight month by 11.2% (est.: 4.5%), against 7.7% in Jun'20 on a MoM basis. This was on account of surge in automobile demand. Core capital goods orders (excl. aircraft and military hardware) rose by 1.9% (est.: 1.7%).

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Markets

- **Bonds:** Global yields closed mixed. US 10Y closed flat at 0.69% ahead of speech by Fed Chairman Powell. Crude prices fell by 0.5% (US\$ 46/bbl) as demand concerns still remain. India's 10Y yield rose by 6bps (6.19%) as investors are expecting a revision in borrowing calendar. It is trading at 6.18% today.
- **Currency:** Global currencies closed broadly higher against the dollar as US-China trade tensions eased. DXY was flat ahead of Fed Chair's speech. AUD rose the most by 0.5%. INR closed flat. However, it is trading lower today while other Asian currencies are trading higher.
- **Equity:** Barring Nikkei and Shanghai Comp, other global indices ended higher led by optimism over US-China trade relations and ahead of the key speech by US Fed Chair. Dax (1%) surged the most as Germany extended COVID-19 relief package through additional stimulus. Sensex (0.6%) too ended in green with auto and banking stocks advancing the most. It is trading higher today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.69	0	1	10	1	(79)
UK	0.30	4	7	16	11	(14)
Japan	0.05	1	1	3	4	32
Germany	(0.42)	2	6	3	0	30
India	6.19	6	22	37	44	(38)
China	3.05	0	5	18	33	0
2Y yields (Δ bps)						
US	0.15	0	1	0	(3)	(135)
UK	(0.02)	1	1	7	1	(37)
Japan	(0.10)	0	1	3	4	20
Germany	(0.64)	1	3	1	(1)	24
India	4.48	10	23	31	8	(126)
China	2.49	2	7	23	90	(11)
Currencies (Δ %)						
EUR	1.1830	0	(0.1)	1.5	7.5	6.8
GBP	1.3210	0.4	0.9	3.3	7.7	8.2
JPY	105.99	0.4	0.1	0.1	1.6	0.1
AUD	0.7233	0.5	0.7	1.8	9.2	7.4
INR	74.30	0	0.7	0.7	1.9	(3.5)
CNY	6.8860	0.4	0.5	1.9	3.9	3.9
Equity & Other indices (Δ %)						
Dow	28,332	0.3	2.3	7.0	10.9	8.8
FTSE	6,046	0.1	(1.1)	(1.3)	(1.6)	(15.0)
DAX	13,190	1.0	1.6	2.7	13.1	12.7
NIKKEI	23,291	0	0.8	2.4	8.7	13.7
Shanghai Comp	3,330	(1.3)	(2.3)	4.2	17.4	15.1
SENSEX	39,074	0.6	1.2	2.5	23.6	4.3
Brent (US\$/bbl)	45.64	(0.5)	0.6	5.3	31.4	(24.5)
Gold (US\$/oz)	1,954	1.4	1.3	2.8	14.3	27.0
CRB Index	390.7	0.2	1.0	4.5	7.3	0.1
Rogers Agri Index	730.5	0.2	1.7	5.3	9.4	6.4
LIBOR (3M)*	0.25	2	0	0	(11)	(187)
INR 5Y Swap*	5.61	7	21	38	48	(57)
India FII data (US\$ mn)						
	25 Aug	24 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(139.8)	17.4	(122.4)	(153.1)	(14,680.7)	(4,921.2)
FII-Equity	235.7	142.0	377.7	5,935.7	4,647.5	11,250.4

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

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