

MACRO DAILY

27 July 2020

Macro developments

- RBI's FSR indicated that financial conditions of SCBs have worsened with respect to soundness, liquidity and efficiency parameters in Mar'20 against Sep'19. Risks such as global, domestic macro, financial market and institutional positions are also high. GNPA ratio of SCBs is likely to shoot up to 12.5% in Mar'21 from 8.5% in Mar'20 under base case and to 14.7% under severe stress scenario. CRAR may fall from 14.6% in Mar'20 to 13.3% in Mar'21 and further to 11.8% under severe stress.
- Sale of new homes in US rose by 13.8% in Jun'20 and reached its highest level (0.77mn units in Jun'20) since Jun'07. The record pick up in housing market is on the back of low interest rates and migration to low density centres amidst COVID-19 pandemic. However, resurgence in COVID-19 cases and uncertainty of a possible lockdown might halt this recovery.
- Flash manufacturing PMIs of Eurozone, UK and US indicate rebound in activity in Jul'20. PMI for Eurozone jumped to 51.1 from 47.4 in Jun'20, while that of UK rose to 53.6 from 50.1 in Jun'20. In US too the index moved to 51.3 from 49.8. Across regions, recovery was driven by new business orders and reduction in backlog of work.

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Markets

- **Bonds:** Global yields closed mixed amidst US-China tensions, rising COVID-19 cases and better performance of macro prints globally. US 10Y yield rose by 1bps (0.59%) supported by better housing data. Crude prices rose by 0.1% (US\$ 43/bbl) due to revival in economic activity. India's 10Y yield rose by 1bps (5.82%). It is trading flat today.
- **Currency:** Except INR and CNY, other global currencies closed higher. DXY slipped further by 0.3% to a 22-month low as US-China tensions rose. CNY too depreciated by 0.2%. JPY rose by 0.7% on safe-haven demand. INR ended marginally lower by 0.1%. It is trading higher today in line with other Asian currencies.
- **Equity:** Global indices ended lower as investors continued to monitor escalated tensions between US and China and rising COVID-19 cases. Amongst other indices, Shanghai Comp (3.9%) declined the most followed by Dax (2%) and FTSE (1.4%). Sensex ended flat. However, it is trading lower today; while other Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.59	1	(4)	(13)	(2)	(150)
UK	0.15	2	(2)	(7)	(17)	(59)
Japan	0.01	(1)	(1)	1	1	17
Germany	(0.45)	3	0	(4)	(6)	(12)
India	5.82	1	1	(7)	(24)	(70)
China	2.90	(2)	(8)	0	41	(25)
2Y yields (Δ bps)						
US	0.14	(1)	(1)	(4)	(7)	(171)
UK	(0.10)	0	(1)	(3)	(16)	(60)
Japan	(0.14)	(1)	(1)	0	2	8
Germany	(0.67)	0	(2)	2	0	9
India	4.17	(1)	1	(16)	(41)	(191)
China	2.06	(7)	0	(17)	93	(49)
Currencies (Δ %)						
EUR	1.1656	0.5	2.0	3.0	7.6	4.0
GBP	1.2794	0.4	1.8	2.2	3.2	2.3
JPY	106.14	0.7	0.8	0	0.7	1.6
AUD	0.7105	0.1	1.6	2.8	11.4	2.1
INR	74.83	(0.1)	0.3	1.7	1.7	(8.3)
CNY	7.0184	(0.2)	(0.4)	0.9	0.9	(1.9)
Equity & Other indices (Δ %)						
Dow	26,652	(0.7)	(0.1)	2.4	13.3	(1.8)
FTSE	6,211	(1.4)	(1.3)	(0.5)	6.6	(17.1)
DAX	13,103	(2.0)	1.4	6.9	24.6	6.0
NIKKEI	22,752	(0.6)	0.2	1.4	17.1	4.6
Shanghai Comp	3,325	(3.9)	3.5	12.1	17.1	13.2
SENSEX	38,140	(0.0)	3.0	9.2	19.7	0.8
Brent (US\$/bbl)	43.31	0.1	0.4	0.5	103.0	(31.7)
Gold (US\$/oz)	1,887	0.9	5.0	7.6	9.1	33.4
CRB Index	372.2	0.7	1.7	2.6	6.2	(8.6)
Rogers Agri Index	694.2	(0.2)	0.5	3.1	6.9	(5.7)
LIBOR (3M)*	0.26	1	(1)	(3)	(73)	(199)
INR 5Y Swap*	5.26	(1)	0	8	13	(134)
India FII data (US\$ mn)						
	23 Jul	22 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	34.4	(29.8)	(188.5)	(151.2)	(14,433.2)	(4,673.7)
FII-Equity	282.9	232.9	1,015.1	577.6	(1,863.9)	4,739.1

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

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