

## MACRO DAILY

28 July 2020

### Macro developments

- As per news reports, cabinet has given approval for disinvestment in 22-23 PSUs to meet FY21 target of Rs 2.1tn. Of this, Rs 1.2 is expected to come from disinvestment in PSUs and Rs 900bn from stake sale in financial institutions. In FYTD21 so far, no disinvestments have taken place as against Rs 23.6bn fetched last year (Apr-Jul'19).
- Germany's business sentiment improved as IFO index rose to 90.5 in Jul'20 higher than estimate of 89.3 and last month's print of 86.2. Both the current situation (84.5 versus 81.3 in Jun'20) and expectation index pointed (97 versus 91.4 in Jun'20) towards recovery amidst easing lockdown restrictions.
- US durable goods orders rose by 7.3% in Jun'20 from 15.1% in May'20 on a MoM basis. The moderation was still higher than consensus estimates and shows early signs of recovery. This was led by sharp jump in orders for motor vehicles (86% in Jun'20 from 29% in May'20). Excluding defence and transportation, core orders rose by 3.3% in Jun'20 (1.6% in May'20).

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### Markets

- Bonds:** Global yields closed mixed amidst anticipated fiscal stimulus from the US and awaiting Fed's decision. US 10Y yield rose by 3bps (0.62%) supported by better than estimated durable goods orders data. Crude prices rose by 0.2% (US\$ 43/bbl). India's 10Y yield rose by 3bps (5.86%) due to heavy selling by MFs. It is trading flat today.
- Currency:** Except INR (flat), other global currencies closed higher. DXY fell for the 7th straight session and ended lower by 0.8% amidst rising COVID-19 cases in the US. Investors also await result of Fed policy meet. EUR and GBP rose by 0.8% and 0.7% respectively against the weaker US\$. INR is trading lower today while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors continue to monitor escalated tensions between US and China and rising COVID-19 cases. However, Shanghai Comp surprised positively gaining by 0.3% as industrial profits surged in Jun'20. Sensex (0.5%) on the other hand declined the most led by banking 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         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 0.62          | 3             | 0          | (3)        | (5)         | (145)       |
| UK                                      | 0.11          | (4)           | (4)        | (6)        | (19)        | (55)        |
| Japan                                   | 0.02          | 0             | (1)        | 1          | 6           | 17          |
| Germany                                 | (0.49)        | (4)           | (3)        | (1)        | (4)         | (10)        |
| India                                   | 5.86          | 3             | 6          | (6)        | (29)        | (56)        |
| China                                   | 2.90          | 3             | (5)        | 2          | 39          | (29)        |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 0.15          | 0             | 0          | (1)        | (7)         | (171)       |
| UK                                      | (0.10)        | (1)           | (1)        | (3)        | (17)        | (57)        |
| Japan                                   | (0.11)        | 2             | 2          | 1          | 4           | 10          |
| Germany                                 | (0.67)        | (2)           | 0          | 4          | (1)         | 10          |
| India                                   | 4.23          | 6             | 5          | (2)        | (32)        | (182)       |
| China                                   | 2.24          | (2)           | 18         | 6          | 111         | (31)        |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1752        | 0.8           | 2.7        | 4.8        | 8.5         | 5.4         |
| GBP                                     | 1.2882        | 0.7           | 1.7        | 4.4        | 3.6         | 5.4         |
| JPY                                     | 105.37        | 0.7           | 1.8        | 1.7        | 1.8         | 3.1         |
| AUD                                     | 0.7149        | 0.6           | 1.9        | 4.1        | 10.6        | 3.6         |
| INR                                     | 74.84         | 0             | 0.1        | 1.1        | 1.8         | (8.9)       |
| CNY                                     | 6.9964        | 0.3           | (0.2)      | 1.2        | 1.3         | (1.5)       |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| Dow                                     | 26,585        | 0.4           | (0.4)      | 6.3        | 10.2        | (2.3)       |
| FTSE                                    | 6,105         | (0.3)         | (2.5)      | (0.9)      | 4.4         | (20.6)      |
| DAX                                     | 12,839        | 0             | (1.6)      | 6.2        | 20.4        | 3.4         |
| NIKKEI                                  | 22,716        | (0.2)         | 0          | 0.9        | 14.8        | 5.1         |
| Shanghai Comp                           | 3,205         | 0.3           | (3.3)      | 7.6        | 13.8        | 9.0         |
| SENSEX                                  | 37,935        | (0.5)         | 1.4        | 7.9        | 19.5        | 0.7         |
| Brent (US\$/bbl)                        | 43.41         | 0.2           | 0.3        | 5.8        | 117.2       | (31.9)      |
| Gold (US\$/oz)                          | 1,942         | 2.1           | 6.8        | 9.7        | 13.3        | 36.1        |
| CRB Index                               | 376.7         | 0.8           | 2.7        | 5.0        | 8.4         | (7.5)       |
| Rogers Agri Index                       | 694.9         | 0.2           | 0.7        | 5.5        | 8.9         | (5.5)       |
| LIBOR (3M)*                             | 0.25          | 0             | (2)        | (6)        | (59)        | (201)       |
| INR 5Y Swap*                            | 5.21          | (2)           | (7)        | (7)        | (1)         | (136)       |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>24 Jul</b> | <b>23 Jul</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (27.7)        | 34.4          | (216.2)    | (178.9)    | (14,460.9)  | (4,701.4)   |
| FII-Equity                              | 517.3         | 282.9         | 1,532.4    | 1,094.9    | (1,346.6)   | 5,256.4     |

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

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