

MACRO DAILY

28 May 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 221bn and stood at Rs 26.1tn for the week ending 22 May 2020. Reserve money rose by 12.8% on a YoY basis, compared with 12.4% a year ago. On a FYTD basis, reserve money increased by 3% as against decline of 0.1% last year.
- RBA Governor has said that negative rates and more quantitative easing are unlikely. This is because the economic impact COVID-19 is likely to be lower than expected as the pandemic has been contained (7,150 confirmed cases), allowing for a quick resumption in economic activity. However, rates are expected to remain at a historic low at 0.25% on the back of muted inflation and higher unemployment.
- China's industrial profits fell by 4.3% in Apr'20 compared with 34.9% decline in Mar'20. Post reopening of the economy, industries contributing positively were: automobiles, special purpose equipment, electrical machinery and electronics industry. On CYTD20 basis, profits were down by 27.4%. Profits of SoEs have fallen by 46% and private firms by 17.2%.

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Markets

- **Bonds:** Global yields closed mixed amidst political uncertainty in Hong Kong and US-China trade dispute. Elsewhere, easing lockdown restriction and stimulus from EU (€ 750bn) impacted market sentiments. US 10Y yield fell by 1bps (0.68%). Crude prices fell by 4% (US\$ 35/bbl) due to rising US inventory. India's 10Y yield rose by 1bps (5.98%). It is trading at 5.99% today.
- **Currency:** Except EUR, other global currencies closed higher against the dollar. DXY rose by 0.2% on the back of US-China conflict over Hong Kong. GBP depreciated by 0.6% as negotiations on Brexit trade deal continued. INR depreciated by 0.1%. It is trading lower today while other Asian currencies are trading mixed.
- **Equity:** Barring Shanghai Comp, other global indices closed higher led by optimism over reopening of economies and EU unveiling € 750bn economic recovery plan. Dow rose by 2.2%, followed by FTSE and Dax (1.3%). Sensex surged by 3.3%, supported by banking and metal stocks. It is trading higher today while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.68	(1)	0	8	(66)	(158)
UK	0.19	(2)	(4)	(10)	(31)	(70)
Japan	0.00	0	0	2	9	9
Germany	(0.41)	2	5	6	9	(24)
India	5.98	1	(6)	(20)	(38)	(116)
China	2.72	2	5	24	(8)	(57)
2Y yields (Δ bps)						
US	0.18	1	2	(4)	(98)	(193)
UK	(0.02)	(1)	0	(9)	(39)	(62)
Japan	(0.14)	0	1	1	5	3
Germany	(0.63)	1	4	7	6	1
India	4.40	(2)	(12)	(15)	(120)	(211)
China	1.60	8	22	47	(37)	(98)
Currencies (Δ %)						
EUR	1.1006	0.2	0.2	1.7	1.1	(1.1)
GBP	1.2261	(0.6)	0.1	(0.9)	(5.0)	(2.9)
JPY	107.72	(0.2)	(0.2)	(0.2)	2.5	1.7
AUD	0.6622	(0.5)	0.4	3.9	1.2	(4.3)
INR	75.71	(0.1)	0.1	1.0	(5.7)	(8.4)
CNY	7.1680	(0.5)	(1.1)	(1.2)	(2.1)	(3.7)
Equity & Other indices (Δ %)						
Dow	25,548	2.2	4.0	7.5	(5.2)	1.7
FTSE	6,144	1.3	1.3	6.8	(12.8)	(14.5)
DAX	11,658	1.3	3.9	12.8	(8.7)	(1.5)
NIKKEI	21,419	0.7	4.0	11.2	(4.5)	2.0
Shanghai Comp	2,837	(0.3)	(1.6)	1.0	(5.1)	(2.7)
SENSEX	31,605	3.3	2.6	0.9	(20.8)	(20.0)
Brent (US\$/bbl)	34.74	(4.0)	(2.8)	62.0	(35.0)	(50.0)
Gold (US\$/oz)	1,709	(0.1)	(2.2)	(1.2)	4.2	33.6
CRB Index	364.0	(0.8)	(1.3)	4.5	(8.5)	(12.4)
Rogers Agri Index	667.5	0	0.2	4.0	(7.4)	(10.6)
LIBOR (3M)*	0.37	0	1	(52)	(124)	(215)
INR 5Y Swap*	5.13	0	(3)	(7)	(110)	(158)
India FII data (US\$ mn)						
	26 May	22 May	WTD	MTD	CYTD	FYTD
FII-Debt	14.7	(40.7)	14.7	(2,354.8)	(13,698.5)	(3,939.0)
FII-Equity	632.2	(149.2)	632.2	1,318.4	(5,315.1)	1,287.9

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

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