

MACRO DAILY

29 July 2020

Macro developments

- According to news reports, railway freight reported its first YoY increase (0.3%) in FY21 on 27 Jul 2020. Freight handled rose to 3.13mn ton (mt) versus 3.12mt last year. The improvement was led by coal, iron ore, cement and food grains. In FYTD21 (Apr-27 Jul), freight volume has dropped by 18% to 322.7mt.
- Amidst COVID-19 outbreak, US consumer confidence dropped to 92.6 in Jul'20 (98.3 in Jun'20), thereby undermining hopes of economic recovery. Consumers became less optimistic over the short-term outlook for income, business and labour market conditions. Future consumer spending remains a key concern as uncertainty looms over resurgence in COVID-19 cases and possible lockdown.
- Australia's CPI fell by 1.9% in Q2CY20 versus an increase of 0.3% in Q1 on a QoQ basis. This was the sharpest fall in 72 years and was led by drop in prices of free child care and petroleum. On a YoY basis too, CPI declined for the first time since CY98 by 0.3% (2% increase in Q1), much below RBA's target of 2-3%.

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed amidst rising COVID-19 cases and anticipation over fiscal stimulus in the US and re-imposition of travel restrictions in Asia and Europe. US 10Y yield fell by 4bps (0.58%) due to weaker consumer confidence print and awaiting Fed's decision. Crude prices also fell by 0.4% (US\$ 43/bbl). India's 10Y yield fell by 1bps (5.85%). It is trading at 5.84% today.
- **Currency:** Global currencies closed mixed. After falling for 7-straight sessions, DXY ended marginally higher as focus shifted to the upcoming Fed meet. EUR ended lower by 0.3%. INR closed flat. It is trading higher today in line with other Asian currencies.
- **Equity:** Global indices ended mixed as investors turned their focus towards Fed's rate decision and economic stimulus from US. Amongst other indices, Dow (0.8%) declined the most as US consumer confidence weakened. However, Sensex (1.5%) ended in green with auto and metal stocks advancing the most. It is trading lower 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 | 0.58 | (4) | (2) | (6) | (3) | (148) |
| UK | 0.11 | 0 | (3) | (6) | (18) | (53) |
| Japan | 0.02 | 0 | 0 | 1 | 6 | 17 |
| Germany | (0.51) | (2) | (5) | (3) | (4) | (11) |
| India | 5.85 | (1) | 2 | (7) | (28) | (54) |
| China | 2.94 | 4 | 2 | 7 | 44 | (24) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.14 | (1) | 0 | (3) | (7) | (171) |
| UK | (0.10) | 1 | 1 | (3) | (15) | (54) |
| Japan | (0.12) | (1) | 2 | 0 | 6 | 9 |
| Germany | (0.69) | (2) | (2) | 1 | 1 | 7 |
| India | 4.24 | 1 | 5 | (1) | (28) | (180) |
| China | 2.25 | 1 | 19 | 7 | 112 | (29) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1716 | (0.3) | 1.6 | 4.4 | 8.3 | 5.0 |
| GBP | 1.2932 | 0.4 | 1.6 | 4.8 | 4.1 | 6.4 |
| JPY | 105.09 | 0.3 | 1.6 | 2.0 | 1.7 | 3.2 |
| AUD | 0.7158 | 0.1 | 0.4 | 4.3 | 10.3 | 4.2 |
| INR | 74.85 | 0 | (0.1) | 1.1 | 1.8 | (8.7) |
| CNY | 7.0008 | (0.1) | (0.3) | 1.1 | 1.1 | (1.7) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 26,379 | (0.8) | (1.7) | 5.5 | 9.5 | (3.0) |
| FTSE | 6,129 | 0.4 | (2.2) | (0.5) | 2.9 | (19.8) |
| DAX | 12,835 | 0 | (2.6) | 6.2 | 18.9 | 5.7 |
| NIKKEI | 22,657 | (0.3) | (1.0) | 0.6 | 14.6 | 4.4 |
| Shanghai Comp | 3,228 | 0.7 | (2.8) | 8.3 | 14.9 | 9.3 |
| SENSEX | 38,493 | 1.5 | 1.5 | 9.4 | 19.9 | 2.9 |
| Brent (US\$/bbl) | 43.22 | (0.4) | (2.5) | 5.4 | 111.2 | (33.2) |
| Gold (US\$/oz) | 1,958 | 0.8 | 6.3 | 10.6 | 14.7 | 36.9 |
| CRB Index | 377.6 | 0.2 | 2.7 | 5.2 | 7.6 | (6.8) |
| Rogers Agri Index | 690.6 | (0.6) | (0.1) | 4.9 | 7.7 | (5.4) |
| LIBOR (3M)* | 0.27 | 2 | 1 | (4) | (49) | (198) |
| INR 5Y Swap* | 5.22 | 1 | (10) | (6) | 0 | (137) |
| India FII data (US\$ mn) | | | | | | |
| | 27 Jul | 24 Jul | WTD | MTD | CYTD | FYTD |
| FII-Debt | 2.0 | (27.7) | 2.0 | (177.0) | (14,458.9) | (4,699.4) |
| FII-Equity | 5.3 | 282.9 | 5.3 | 1,100.1 | (1,341.3) | 5,261.6 |

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com