

MACRO DAILY

30 July 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 48bn and stood at Rs 26.7tn for the week ending 24 Jul 2020. Reserve money rose by 14.7% on a YoY basis, compared with 12.9% a year ago. On a FYTD basis, reserve money increased by 4.8% as against a decrease of 0.1% last year.
- US Fed kept policy rate unchanged (0-0.25%). It further stated that economic activity and employment conditions are improving, but remain far below pre-COVID levels. The statement added that 'the path of the economy will depend significantly on the course of the virus'. Lending facilities have been extended till Dec'20 (Sep'20 earlier) and dollar liquidity swap lines and temporary repo operations through Mar'21.
- Japan's retail sales fell by 1.2% in Jun'20 on a YoY basis versus est. 6.5% decline and 12.5% drop in May'20. The slower than anticipated dip was supported by higher spending on machinery and equipment (15.9%) and food (3%). On the other hand, weakness in sales of general merchandise (-11.2%) and motor vehicles (-17.2%) acted as a drag on the headline figure.

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Markets

- **Bonds:** Global yields closed mixed due to rising COVID-19 cases globally. US 10Y yield closed stable at 0.57% as Fed pledged to keep near zero rates until economic scenario improves. Crude prices rose by 1.2% (US\$ 44/bbl) due to unexpected drop in US inventory. India's 10Y yield fell by 1bps (5.84%). It is trading at 5.83% today.
- **Currency:** Except CNY (flat), other global currencies closed higher. DXY fell by 0.3% to a near 2-year low after Fed vowed to keep interest rates around zero in the near future. EUR rose by 0.6% to a 2-year high. AUD also appreciated by 0.4% to a 1-year high. INR rose by 0.1% on the back of FII inflows. It is trading marginally lower today, while other Asian currencies are trading higher.
- **Equity:** Global indices ended mixed as Fed kept the policy rate on hold. Shanghai Comp (2.1%) gained the most followed by Dow (0.6%). Sensex (1.1%) ended in red, dragged down by auto and oil & gas stocks. However, 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	0.57	0	(2)	(7)	(5)	(144)
UK	0.12	1	0	(5)	(17)	(49)
Japan	0.02	0	0	1	6	18
Germany	(0.50)	1	(1)	(2)	0	(6)
India	5.84	(1)	2	(8)	(29)	(53)
China	2.97	3	7	10	48	(19)
2Y yields (Δ bps)						
US	0.13	(1)	(2)	(4)	(7)	(174)
UK	(0.08)	2	3	(1)	(13)	(51)
Japan	(0.12)	0	1	0	6	9
Germany	(0.68)	1	1	2	2	10
India	4.22	(2)	4	(3)	(29)	(180)
China	2.25	0	19	7	113	(30)
Currencies (Δ %)						
EUR	1.1792	0.6	1.9	5.1	8.5	6.5
GBP	1.2997	0.5	2.1	5.4	4.2	6.9
JPY	104.92	0.2	2.1	2.1	1.6	3.5
AUD	0.7188	0.4	0.7	4.7	9.6	5.0
INR	74.80	0.1	(0.1)	1.1	1.2	(8.7)
CNY	7.0016	0	0	1.1	1.1	(1.7)
Equity & Other indices (Δ %)						
Dow	26,540	0.6	(1.7)	6.1	7.7	(1.2)
FTSE	6,131	0	(1.2)	(0.5)	0.3	(19.2)
DAX	12,822	(0.1)	(2.2)	6.1	15.4	5.2
NIKKEI	22,397	(1.1)	(1.6)	(0.5)	13.3	4.1
Shanghai Comp	3,295	2.1	(1.2)	10.6	16.7	12.3
SENSEX	38,071	(1.1)	0.5	8.2	16.4	1.6
Brent (US\$/bbl)	43.75	1.2	(1.2)	6.7	94.1	(32.9)
Gold (US\$/oz)	1,971	0.6	5.3	11.3	15.0	39.4
CRB Index	376.9	(0.2)	2.0	5.0	7.3	(6.5)
Rogers Agri Index	693.6	0.4	(0.3)	5.4	7.6	(3.7)
LIBOR (3M)*	0.27	0	0	(4)	(42)	(200)
INR 5Y Swap*	5.21	(1)	(6)	(7)	1	(137)
India FII data (US\$ mn)						
	28 Jul	27 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(33.0)	2.0	(31.0)	(210.0)	(14,492.0)	(4,732.5)
FII-Equity	24.5	5.3	29.8	1,124.7	(1,316.8)	5,286.2

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

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