

MACRO DAILY

30 June 2020

Macro developments

- In view of the current liquidity scenario, RBI has again decided to conduct simultaneous purchase of longer dated securities and sell shorter duration ones, of Rs 100bn each. Earlier, RBI had already conducted Operation Twist of Rs 500bn (Dec'19, Jan'20 & Apr'20). In a separate release, RBI has extended the relaxation of minimum daily maintenance of Cash Reserve Requirement of 80% (90% earlier) by another 3-months.
- China's official manufacturing PMI rose to 50.9 in Jun'20 from 50.6 in May'20. While expansion in activity continued with new orders improving, headwinds were visible in new exports orders. The index remains in contraction at 42.6. Non-manufacturing PMI also inched up in Jun'20 to 54.4 from 53.6 in May'20. However, with second wave of COVID cases hitting Beijing, this momentum could gradually lose steam.
- Japan's industrial production fell by 8.4% in May'20 on a MoM basis versus 9.8% decline in Apr'20. Continued decline in activity is seen even as lockdown restrictions were removed, thus indicating weak global demand. Industries hit the most include: motor vehicles, production machinery and iron steel & non-ferrous metals. Separately, jobless rate in May'20 rose to highest in three years to 2.9% from 2.6% in Apr'20.

Jahnvi | Sameer Narang
chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed due to fear of rising COVID-19 cases in the US. Macro data points also remained mixed (improving Euro area consumer confidence and falling retail sales in Japan). US 10Y yield fell by 2bps (0.62%) amidst exacerbating fear of slowdown. Crude prices rose by 1.7% (US\$ 42/bbl). India's 10Y yield fell by 1bps (5.9%). It is trading lower at 5.88% today, post Operation Twist announcement by RBI.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% amidst rising COVID-19 cases in some US states. GBP depreciated by 0.3% due to uncertainty over trade pact with EU. INR rose by 0.1%. It is trading further higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors continued to monitor the resurgence in COVID-19 cases. Nikkei (2.3%) declined the most. Sensex (0.6%) too ended in red and was dragged down by real estate and metal stocks. However, 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
10Y yields (Δ bps)						
US	0.62	(2)	(9)	(3)	(10)	(140)
UK	0.16	(1)	(3)	(2)	(17)	(65)
Japan	0.02	1	1	1	0	16
Germany	(0.47)	1	(3)	(2)	2	(11)
India	5.90	(1)	3	14	(31)	(98)
China	2.86	(1)	(6)	16	24	(37)
2Y yields (Δ bps)						
US	0.15	(2)	(4)	(1)	(8)	(164)
UK	(0.08)	(1)	(2)	(4)	(23)	(70)
Japan	(0.12)	(1)	0	3	2	9
Germany	(0.69)	1	0	(3)	(1)	7
India	4.24	(1)	(9)	(15)	(101)	(204)
China	2.14	(5)	(9)	58	43	(49)
Currencies (Δ %)						
EUR	1.1242	0.2	(0.2)	1.3	1.8	(0.4)
GBP	1.2298	(0.3)	(1.4)	(0.4)	(0.9)	(2.7)
JPY	107.58	(0.3)	(0.6)	0.2	0.2	0.8
AUD	0.6866	0	(0.6)	3.0	11.2	(1.4)
INR	75.58	0.1	0.6	0	(0.2)	(9.6)
CNY	7.0811	0	(0.2)	0.8	0.3	(3.3)
Equity & Other indices (Δ %)						
Dow	25,596	2.3	(1.6)	0.8	14.6	(4.2)
FTSE	6,226	1.1	(0.3)	2.5	11.9	(17.0)
DAX	12,232	1.2	(0.3)	5.6	24.6	(2.3)
NIKKEI	21,995	(2.3)	(2.0)	0.5	15.2	1.2
Shanghai Comp	2,962	(0.6)	(0.1)	3.8	7.8	(2.7)
SENSEX	34,962	(0.6)	0.1	7.8	22.9	(11.9)
Brent (US\$/bbl)	41.71	1.7	(3.2)	18.1	83.3	(35.9)
Gold (US\$/oz)	1,773	0.1	1.0	2.5	9.3	28.1
CRB Index	358.9	0	(1.1)	(2.2)	(3.4)	(11.6)
Rogers Agri Index	665.2	1.0	(1.2)	(0.6)	0.6	(10.9)
LIBOR (3M)*	0.31	0	1	(4)	(113)	(202)
INR 5Y Swap*	5.28	0	10	15	(69)	(142)
India FII data (US\$ mn)						
	26 Jun	25 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	27.0	(16.4)	109.5	(352.7)	(14,408.0)	(4,648.5)
FII-Equity	(126.9)	(68.9)	22.0	2,744.1	(2,170.5)	4,432.5

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com