

MACRO DAILY

03 September 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 79bn and stood at Rs 26.8tn for the week ending 28 Aug 2020. Reserve money rose by 14.7% on a YoY basis compared with 13.1% a year ago. On a FYTD basis, reserve money increased by 5.4% as against 0.5% last year.
- US factory orders rose for the 3rd straight month by 6.4% in Jul'20 same as in Jun'20 and more than its estimation of 6% increase, on MoM basis. Shipments also rose for the 3rd consecutive month by 7.5% from 7.3% in Jun'20. Inventories also declined by 0.6%. Core capital goods orders rose by 1.9%.
- Japan's services PMI showed further contraction in activity in Aug'20 as the index eased to 45 from 45.4 in Jul'20. Government restrictions and lack of customer demand owing to COVID-19 were the key reason for dip in business activity. New orders and employment index suffered the most.

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Markets

- **Bonds:** Except China, global yields closed lower. US 10Y yield fell by 2bps (0.65%) as employment data showed hiring was less than expected. UK 10Y yield fell the most by 7bps on expectation of more stimulus from BoE. Crude prices fell by 2.5% (US\$ 44/bbl) on demand concerns. India 10Y yield fell by 2bps (5.92%). It is trading at 5.9% today.
- **Currency:** Global currencies closed lower against the dollar. DXY rose for the 2nd straight session and rose by 0.6%. EUR fell by 0.5%. GBP too depreciated by 0.3% as BoE officials warned of a more severe impact on growth. INR fell by 0.2% amidst rising border tensions with China. It is trading further lower today in line with Asian currencies.
- **Equity:** Barring Shanghai Comp, other global indices ended higher. Amongst other indices, Dax (2.1%) rose the most followed by Dow (1.6%) on hopes of more stimulus to combat the COVID-19 crisis. Sensex (0.5%) too inched up led by global cues. Auto stocks advanced the most. 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	0.65	(2)	(4)	12	(10)	(82)
UK	0.23	(7)	(7)	13	(4)	(26)
Japan	0.04	0	0	2	3	32
Germany	(0.47)	(5)	(6)	5	(12)	20
India	5.92	(2)	(27)	8	15	(63)
China	3.11	4	6	13	32	6
2Y yields (Δ bps)						
US	0.13	0	(2)	3	(6)	(130)
UK	(0.11)	(1)	(10)	(5)	(11)	(48)
Japan	(0.11)	1	0	2	4	19
Germany	(0.70)	(2)	(5)	1	(7)	19
India	4.37	0	(12)	18	(5)	(131)
China	2.50	0	1	25	57	(8)
Currencies (Δ %)						
EUR	1.1855	(0.5)	0.2	0.7	5.5	7.4
GBP	1.3350	(0.3)	1.1	2.0	6.2	9.0
JPY	106.18	(0.2)	(0.2)	(0.3)	2.5	0.2
AUD	0.7338	(0.5)	1.5	2.7	6.0	8.0
INR	73.03	(0.2)	1.7	2.4	3.2	(1.3)
CNY	6.8383	(0.1)	0.7	2.0	3.9	4.3
Equity & Other indices (Δ %)						
Dow	29,101	1.6	2.7	10.1	10.8	10.4
FTSE	5,941	1.3	(1.7)	0.7	(6.9)	(18.7)
DAX	13,243	2.1	0.4	7.6	6.1	10.1
NIKKEI	23,247	0.5	(0.2)	7.1	2.8	12.6
Shanghai Comp	3,405	(0.2)	2.3	2.9	16.5	15.1
SENSEX	39,086	0.5	0.0	3.9	14.6	6.4
Brent (US\$/bbl)	44.43	(2.5)	(2.7)	2.6	11.7	(26.8)
Gold (US\$/oz)	1,943	(1.4)	(0.6)	(1.7)	14.3	25.1
CRB Index	394.1	(0.2)	0.9	4.3	7.1	1.7
Rogers Agri Index	741.4	(0.2)	1.5	6.0	9.8	9.1
LIBOR (3M)*	0.25	1	0	0	(8)	(186)
INR 5Y Swap*	5.53	1	(8)	39	33	(52)
India FII data (US\$ mn)						
	1 Sep	31 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(19.9)	(30.7)	(50.6)	(19.9)	(15,109.9)	(5,350.4)
FII-Equity	78.8	(320.4)	(241.6)	78.8	4,886.2	11,489.1

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

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