

MACRO DAILY

08 July 2020

Macro developments

- As per news reports, CPSEs have been tasked by the FM to ensure that 50% of their budgeted capital outlay (Rs 1.66tn) is spent by Q2FY21. As of Q1FY21, spending is at Rs 202bn (12.2% of the target) versus Rs 263.2bn (16% of the target) in Q1FY20. However, labour shortage and delayed imports have been cited as key hurdles currently.
- Industrial production in Germany rose by 7.8% in May'20 on a MoM basis versus a decline of 17.5% in Apr'20. The rebound was led by capital goods production (up by 27.6%) amidst easing lockdown restrictions. Separately, Ifo production index rose to 4.3 in Jun'20 from (-) 19.5 in May'20 signalling that the economy is recovering. However, government expects GDP growth to contract by 6.3% in CY20 - its lowest since WWII.
- Reserve Bank of Australia (RBA) decided to keep its policy rate unchanged at 0.25%. However, it highlighted that unprecedented monetary policy easing coupled with fiscal response is needed to emerge from the ongoing crisis. It also pointed that some green shoots of recovery are visible despite ongoing uncertainty about the health situation globally.

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Markets

- Bonds:** Global yields closed mixed over rising cases in the US. Fed officials were concerned about its impact on consumer spending and employment conditions. European Commission also warned of a deeper recession. US 10Y yield fell by 4bps (0.64%). Crude prices closed flat at US\$ 43/bbl. India's 10Y yield fell by 4bps (5.79%) amidst expectation of higher OMO purchase by RBI. It is trading at 5.77% today.
- Currency:** Except CNY and GBP other global currencies closed lower. DXY rose by 0.2% as rising COVID-19 cases dented hopes of economic recovery. AUD fell by 0.4% as Australia re-imposed localised lockdown. INR too depreciated by 0.3%. It is trading higher today while other Asian currencies are trading lower.
- Equity:** Barring Shanghai Comp and Sensex, other global indices ended lower as WHO warned of a possible surge in COVID-19 cases. Dow and FTSE declined the most by 1.5%. However, Sensex gained by 0.5% with banking stocks advancing 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	0.64	(4)	(2)	(26)	(7)	(143)
UK	0.18	(2)	1	(17)	(23)	(54)
Japan	0.05	1	2	0	3	18
Germany	(0.43)	0	3	(15)	(12)	(8)
India	5.79	(4)	(9)	3	(62)	(80)
China	3.03	0	18	18	53	(14)
2Y yields (Δ bps)						
US	0.16	0	1	(5)	(10)	(175)
UK	(0.07)	0	1	(8)	(25)	(63)
Japan	(0.12)	1	1	0	(2)	7
Germany	(0.67)	1	2	(7)	(7)	6
India	4.11	(4)	(10)	(34)	(125)	(205)
China	2.10	0	(1)	5	73	(49)
Currencies (Δ %)						
EUR	1.1274	(0.3)	0.4	(0.2)	3.5	0.6
GBP	1.2542	0.4	1.1	(1.0)	1.7	0.6
JPY	107.52	(0.2)	0.4	1.9	1.1	1.2
AUD	0.6947	(0.4)	0.6	(0.3)	12.6	0.3
INR	74.94	(0.3)	0.8	0.9	0.9	(9.3)
CNY	7.0138	0.1	0.7	1.0	0.5	(1.8)
Equity & Other indices (Δ %)						
Dow	25,890	(1.5)	0.3	(4.5)	14.3	(3.3)
FTSE	6,190	(1.5)	0.3	(4.5)	8.5	(17.9)
DAX	12,617	(0.9)	2.5	(1.8)	21.8	1.4
NIKKEI	22,615	(0.4)	1.5	(1.1)	19.3	4.9
Shanghai Comp	3,345	0.4	12.1	14.1	18.6	14.2
SENSEX	36,675	0.5	5.0	7.0	22.0	(5.3)
Brent (US\$/bbl)	43.08	0	4.7	1.8	35.2	(32.9)
Gold (US\$/oz)	1,795	0.6	0.8	6.5	8.9	28.4
CRB Index	362.5	0.2	0.6	(1.9)	(0.1)	(9.8)
Rogers Agri Index	686.0	0.1	1.6	0.1	4.9	(7.1)
LIBOR (3M)*	0.28	0	(3)	(4)	(104)	(206)
INR 5Y Swap*	5.32	0	4	21	(70)	(116)
India FII data (US\$ mn)						
	06 Jul	03 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	103.9	(17.2)	103.9	118.4	(14,163.6)	(4,404.1)
FII-Equity	63.7	83.0	63.7	(120.1)	(2,561.6)	4,041.4

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

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