

MACRO DAILY

09 July 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 49.5bn and stood at Rs 26.6tn for the week ending 3 Jul 2020. Reserve money rose by 14.3% on a YoY basis, compared with 12.3% a year ago. On a FYTD basis, reserve money increased by 5% as against an increase of 0.4% last year.
- Japan's core machinery orders surprised positively increasing by 1.7% in May'20 (est.: 3.2% decline) and against 12% slump in Apr'20. This was led by sharp jump in non-manufacturing orders (17.7% increase in May'20). However, manufacturing and export orders continued to remain bleak.
- China's PPI fell by 3% in Jun'20 versus estimated decline of 3.2% and 3.7% in May'20. As a sign of improvement in activity, manufacturing inflation rose by 0.4% in Jun'20 from a decline of 0.4% in May'20, driven by fiscal stimulus and higher infra spending. Separately, CPI rose by 2.5% in Jun'20 from 2.4% owing to higher food prices (mainly pork). Core inflation remains benign at 0.9% versus 1.1% in May'20.

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Markets

- **Bonds:** Global yields closed mixed amidst rising cases in the US and trade tensions between US and China. US 10Y yield rose by 2bps (0.66%) ahead of release of jobless claims print. UK 10Y yield closed stable (0.18%) as FM announced US\$ 38bn stimulus to boost the economy. Crude prices closed rose by 0.5% (US\$ 43/bbl). India's 10Y yield fell by 1bps (5.78%). It is trading at 5.77% today.
- **Currency:** Except INR, other global currencies closed higher against the dollar. DXY fell by 0.5% as COVID-19 cases in the US continued to swell. GBP rose by 0.5% as UK announced stimulus measures to revive its economy. INR depreciated by 0.1%. It is trading higher today in line with other Asian currencies.
- **Equity:** Barring Dow and Shanghai Comp, other global indices ended lower as surge in COVID-19 cases dampened hopes of global economic recovery. Dax (1%) declined the most. Sensex too ended in red (0.9%) breaking its 5-day winning streak. It was dragged down by auto and real estate 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	0.66	2	(1)	(23)	(11)	(140)
UK	0.18	0	(3)	(17)	(20)	(58)
Japan	0.03	(1)	(1)	(2)	1	15
Germany	(0.44)	(1)	(5)	(16)	(13)	(13)
India	5.78	(1)	(6)	1	(66)	(77)
China	3.07	3	22	21	59	(11)
2Y yields (Δ bps)						
US	0.16	0	0	(5)	(9)	(167)
UK	(0.07)	0	0	(8)	(19)	(65)
Japan	(0.13)	(1)	0	0	(2)	5
Germany	(0.67)	0	(1)	(7)	(7)	6
India	4.12	1	(7)	(33)	(120)	(208)
China	2.11	1	2	7	88	(48)
Currencies (Δ %)						
EUR	1.1330	0.5	0.7	0.3	4.3	0.7
GBP	1.2610	0.5	1.1	(0.5)	1.8	0.9
JPY	107.26	0.2	0.2	2.1	1.4	1.1
AUD	0.6982	0.5	1.0	0.2	12.1	0.3
INR	75.02	(0.1)	0.8	0.7	1.7	(9.4)
CNY	7.0044	0.1	0.9	1.1	0.9	(1.9)
Equity & Other indices (Δ %)						
Dow	26,067	0.7	1.3	(3.8)	11.2	(3.0)
FTSE	6,156	(0.5)	0	(5.1)	8.4	(18.3)
DAX	12,495	(1.0)	1.9	(2.7)	20.9	1.0
NIKKEI	22,439	(0.8)	1.4	(1.9)	15.9	4.2
Shanghai Comp	3,403	1.7	12.5	16.1	20.9	16.7
SENSEX	36,329	(0.9)	2.6	6.0	21.5	(5.8)
Brent (US\$/bbl)	43.29	0.5	3.0	2.3	31.8	(35.4)
Gold (US\$/oz)	1,809	0.8	2.2	7.3	9.9	27.5
CRB Index	363.0	0.1	0	(1.7)	0.1	(10.1)
Rogers Agri Index	691.6	0.8	1.0	0.9	5.6	(6.9)
LIBOR (3M)*	0.27	(1)	(3)	(4)	(104)	(207)
INR 5Y Swap*	5.30	(2)	(1)	19	(72)	(122)
India FII data (US\$ mn)						
	07 Jul	06 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(3.6)	103.9	100.4	114.8	(14,167.2)	(4,407.7)
FII-Equity	(222.5)	63.7	(158.8)	(342.6)	(2,784.1)	3,818.9

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

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