

MACRO DAILY

11 September 2020

Macro developments

- Government has constituted a three-member expert committee for assessment of relief to bank borrowers. It will look into the impact of waiving of interest and interest on interest pertaining to COVID-19 related moratorium. It will also put forward suggestions on mitigating financial constraints.
- ECB has kept the policy rates and ongoing stimulus program (PEPP) of € 1,350bn unchanged. In view of macro data available since the last policy meet in Jul'20, the Council estimates domestic demand in the Eurozone has rebounded strongly. It thus revised its GDP forecast upward with contraction estimated at 8% in CY20 versus 8.7% projected earlier. Growth in CY21 and CY22 is expected at 5% and 3.2% respectively.
- US PPI rose by 0.3% in Aug'20 (MoM) versus est.: 0.2% and 0.6% increase in Jul'20. Positive growth for the second consecutive month in Aug'20 was driven by higher price pressures in trade, transportation and warehousing. On the other hand, energy prices eased significantly. Core PPI remained unchanged from last month at 0.3% in Aug'20.

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Markets

- Bonds:** Global yields closed mixed amidst rising tension between EU and UK and ECB Chief's comments. US 10Y yield fell by 2bps (0.68%) as jobless claims print was disappointing. UK 10Y yield dipped by 1bps (0.23%). Crude prices declined by 1.8% (US\$ 40/bbl) due to rising US inventory. India's 10Y yield rose by 6bps (6.05%) on expectation of elevated inflation in Aug'20 as well. It is trading at 6.07% today.
- Currency:** Global currencies closed mixed. ECB's comments that it does not target a particular exchange rate lifted EUR by 0.1%. GBP depreciated sharply by 1.5% amidst lack of progress in UK-EU trade negotiations. INR rose by 0.1% on lower oil prices. However it is trading lower today in line with other Asian currencies.
- Equity:** Barring Sensex and Nikkei, other global indices ended lower amidst uncertainty over Brexit negotiations. Dow dropped by 1.5% as tech stocks slid yet again, after a rebound in the last trading session. However, Sensex advanced by 1.7% led by strong gains in oil and gas stocks. It is trading higher today; while 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	0.68	(2)	4	10	1	(109)
UK	0.23	(1)	(1)	10	3	(45)
Japan	0.03	0	(1)	(1)	2	24
Germany	(0.43)	3	6	9	(2)	8
India	6.05	6	16	20	27	(62)
China	3.10	1	(2)	14	33	1
2Y yields (Δ bps)						
US	0.14	(1)	1	1	(6)	(158)
UK	(0.11)	(3)	(1)	(8)	(6)	(65)
Japan	(0.12)	0	(1)	0	2	16
Germany	(0.67)	2	4	4	(2)	6
India	4.49	(1)	14	24	4	(123)
China	2.57	(2)	(1)	37	59	4
Currencies (Δ %)						
EUR	1.1815	0.1	(0.3)	0.7	4.6	6.8
GBP	1.2805	(1.5)	(3.6)	(2.1)	1.6	3.8
JPY	106.13	0	0.1	(0.2)	0.7	1.8
AUD	0.7258	(0.3)	(0.2)	1.5	5.9	5.7
INR	73.46	0.1	0.0	1.9	3.1	(3.3)
CNY	6.8343	0	0.2	1.8	3.3	3.5
Equity & Other indices (Δ %)						
Dow	27,535	(1.5)	(2.7)	(0.9)	9.6	1.3
FTSE	6,003	(0.2)	2.6	(0.8)	(1.2)	(18.3)
DAX	13,209	(0.2)	1.2	4.1	10.3	6.4
NIKKEI	23,235	0.9	(1.0)	2.1	3.4	6.8
Shanghai Comp	3,235	(0.6)	(4.4)	(4.3)	10.7	6.7
SENSEX	38,840	1.7	(0.4)	1.7	15.8	4.7
Brent (US\$/bbl)	40.06	(1.8)	(9.1)	(11.0)	3.9	(33.7)
Gold (US\$/oz)	1,946	0	0.8	(4.0)	12.6	29.8
CRB Index	399.0	0.6	1.0	5.1	8.8	3.7
Rogers Agri Index	732.6	(0.2)	(0.4)	5.7	8.3	5.0
LIBOR (3M)*	0.25	0	0	(1)	(6)	(187)
INR 5Y Swap*	5.61	(2)	11	33	39	(65)
India FII data (US\$ mn)						
	9 Sep	8 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	65.2	22.4	61.9	221.6	(14,868.4)	(5,108.9)
FII-Equity	(130.3)	(21.4)	(128.6)	(280.7)	4,526.7	11,129.6

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

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