

MACRO DAILY

17 August 2020

Macro developments

- RBI approved a transfer of Rs 571.3bn for the accounting year 2019-20 to the government, while maintaining the contingency risk buffer at 5.5%. Last year, RBI had transferred Rs 1.76tn inclusive of Rs 1.23tn as dividend and Rs 526bn from surplus capital to the government. This comes in the wake of the economy struggling with record fiscal deficit on account of revenue shortage due to imposition of lockdown.
- Industrial production in the US rose by 3% in Jul'20 on a MoM basis versus 5.7% rise in Jun'20, with growth in manufacturing sector easing (3.4% from 7.4%). Separately, retail sales in Jul'20 rose by 1.2% versus 8.4% in Jun'20. While headline print was dragged down by motor vehicles, building material and clothing, spending on electronic items and health care items remained steady.
- GDP growth in the Euro Area contracted by a record 12.1% (QoQ) in Q2CY20 versus 3.6% decline in Q1. Separately, employment rate also declined by a record 2.8% in Q2 versus a drop of 0.2% in Q1, due to lockdowns. Trade surplus of the region rose to € 21.2bn in Jun'20 versus € 19.4bn in Jun'19, as imports fell at a faster rate than exports.

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Markets

- **Bonds:** Global yields closed mixed amidst delay in Phase 1 trade deal review between US and China. US 10Y yield fell by 1bps (0.71%). Crude prices fell by 0.4% (US\$ 45/bbl) as GDP prints remained bleak globally. India's 10Y yield rose by 7bps (5.97%) on account of lower than expected surplus transfer to the government by RBI. It is trading higher at 5.98% today.
- **Currency:** Except CNY and INR, other global currencies closed higher against the dollar. DXY fell by 0.3% on the back of uncertainty over US stimulus. EUR rose by 0.2% even as Euro Area GDP declined by a record 12.1% in Q2CY20. INR depreciated by 0.1%. It is however trading higher today, in line with other Asian currencies.
- **Equity:** Global indices ended mixed as investors turned cautious with uncertainty over US fiscal stimulus. Sensex declined by 1.1% and was dragged down by auto and banking stocks. However, it is trading higher today while other 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 | 0.71 | (1) | 15 | 8 | 7 | (84) |
| UK | 0.24 | 0 | 10 | 8 | 1 | (22) |
| Japan | 0.05 | 2 | 4 | 2 | 5 | 28 |
| Germany | (0.42) | (1) | 9 | 2 | 11 | 26 |
| India | 5.97 | 7 | 8 | 16 | 19 | (58) |
| China | 2.94 | (2) | (4) | (1) | 29 | (8) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.15 | (2) | 2 | (1) | 0 | (133) |
| UK | (0.02) | (1) | 1 | 7 | (1) | (54) |
| Japan | (0.11) | 0 | 1 | 2 | 4 | 16 |
| Germany | (0.65) | 0 | 4 | 2 | 8 | 26 |
| India | 4.25 | 1 | 3 | 9 | (25) | (162) |
| China | 2.26 | 0 | 2 | 12 | 105 | (26) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1842 | 0.2 | 0.5 | 3.8 | 9.4 | 6.8 |
| GBP | 1.3086 | 0.1 | 0.3 | 4.0 | 8.0 | 7.7 |
| JPY | 106.6000 | 0.3 | (0.6) | 0.3 | 0.4 | (0.2) |
| AUD | 0.7171 | 0.3 | 0.2 | 2.3 | 11.8 | 5.8 |
| INR | 74.9037 | (0.1) | 0 | 0.3 | 0.9 | (5.3) |
| CNY | 6.9503 | (0.1) | 0.3 | 0.6 | 2.1 | 1.3 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,931 | 0.1 | 1.8 | 3.9 | 17.9 | 7.9 |
| FTSE | 6,090 | (1.5) | 1.0 | (3.2) | 5.0 | (14.4) |
| DAX | 12,901 | (0.7) | 1.8 | (0.2) | 23.3 | 11.6 |
| NIKKEI | 23,289 | 0.2 | 4.3 | 1.5 | 16.2 | 14.1 |
| Shanghai Comp | 3,360 | 1.2 | 0.2 | 0 | 17.1 | 19.0 |
| SENSEX | 37,877 | (1.1) | (0.4) | 5.1 | 21.8 | 1.4 |
| Brent (US\$/bbl) | 44.80 | (0.4) | 0.9 | 2.3 | 37.8 | (23.6) |
| Gold (US\$/oz) | 1,945 | (0.4) | (4.4) | 7.4 | 11.6 | 28.5 |
| CRB Index | 380.4 | 0 | 0.5 | 4.0 | 4.8 | (4.5) |
| Rogers Agri Index | 708.7 | 0.2 | 2.6 | 2.9 | 7.8 | 2.1 |
| LIBOR (3M)* | 0.27 | (1) | 2 | 0 | (11) | (187) |
| INR 5Y Swap* | 5.34 | 7 | 11 | 8 | 16 | (95) |
| India FII data (US\$ mn) | | | | | | |
| | 13 Aug | 12 Aug | WTD | MTD | CYTD | FYTD |
| FII-Debt | 78.9 | (92.2) | 33.3 | 36.8 | (14,490.8) | (4,731.3) |
| FII-Equity | 66.4 | 462.2 | 2,271.3 | 3,613.4 | 2,325.2 | 8,928.2 |

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

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