

MACRO DAILY

21 August 2020

Macro developments

- MPC members noted future growth trajectory remains uncertain. MPC members also expressed concerns over rising inflation and said that while Apr'20 and May'20 CPI prints may be regarded as break in the series, upward pressure on inflation is seen in most food items. Further, supply side pressures imply that inflation is likely to be above 4% even in H2FY21, implying no room for rate cut as of now.
- Japan's CPI inflation rose by 0.3% in Jul'20, unchanged from Jun'20. CPI excluding food and energy was also unchanged from Jun'20 at 0.4%. Separately, Japan's manufacturing PMI rose to 46.6 in Aug'20 from 45.2 in Jul'20. However the index remained in contraction zone for the 16th straight month led by drop in new orders and output. Services activity too remained weak, as the services PMI dipped to 45 from 45.4 in Jul'20.
- US jobless claims rose to 1.11mn for the week ended 15 Aug 2020, from 0.96mn in the previous week and est.: 0.93mn. With resurgence in COVID-19 cases and many states going into lockdown again, jobless claims were pushed beyond the 1mn mark. The 4W moving average was at 1.18mn versus 1.25mn in the previous week.

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Markets

- **Bonds:** Global yields broadly closed lower. US 10Y yield fell by 3bps (0.65%) as jobless claims data rose unexpectedly. Crude prices fell by 1% (US\$ 45/bbl) as OPEC+ expects oil demand in CY20 to fall by 9.1mnbpd, 0.1mnbpd more than in its previous forecast. India's 10Y yield fell by 2bps (5.97%). It is trading higher at 5.99% today, as RBI minutes dashed hopes of rate cut.
- **Currency:** Except INR, other global currencies closed higher against the dollar. DXY fell by 0.1% as US jobless claims rose more than expected. GBP rose the most by 0.9%. INR depreciated by 0.3% even as oil prices eased. However it is trading higher today, in line with its Asian peers.
- **Equity:** Barring Dow, other global indices ended lower. FTSE and Shanghai Comp dropped the most. Fed minutes pointing towards uncertain economic outlook for the US dented investor sentiments. Sensex too fell by 1%, dragged by banking and tech stocks. 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	(3)	(7)	4	(2)	(96)
UK	0.23	(1)	(2)	7	5	(29)
Japan	0.04	0	0	1	4	27
Germany	(0.50)	(2)	(8)	(4)	(0)	15
India	5.97	(2)	10	17	19	(59)
China	3.00	0	4	6	34	(6)
2Y yields (Δ bps)						
US	0.14	0	(2)	(1)	(2)	(147)
UK	(0.03)	(1)	(3)	6	1	(56)
Japan	(0.10)	1	1	2	5	20
Germany	(0.68)	(1)	(3)	(1)	2	19
India	4.24	(2)	0	6	(28)	(157)
China	2.43	1	18	37	105	(17)
Currencies (Δ %)						
EUR	1.1860	0.2	0.4	3.6	8.3	7.0
GBP	1.3214	0.9	1.1	4.4	8.1	7.9
JPY	105.80	0.3	1.1	1.4	1.7	0.6
AUD	0.7192	0.1	0.6	2.5	9.6	6.4
INR	75.03	(0.3)	(0.2)	(0.2)	0.8	(4.5)
CNY	6.9158	0.1	0.4	1.0	2.8	2.4
Equity & Other indices (Δ %)						
Dow	27,740	0.2	(0.6)	4.0	13.3	5.7
FTSE	6,013	(1.6)	(2.8)	(4.0)	0	(15.6)
DAX	12,830	(1.1)	(1.3)	(1.7)	15.9	9.2
NIKKEI	22,881	(1.0)	(1.6)	0.7	11.3	10.9
Shanghai Comp	3,364	(1.3)	1.3	1.5	17.3	16.7
SENSEX	38,220	(1.0)	(0.2)	2.1	23.6	4.8
Brent (US\$/bbl)	44.90	(1.0)	(0.1)	3.7	24.5	(25.1)
Gold (US\$/oz)	1,947	0.9	(0.3)	7.1	12.8	30.0
CRB Index	386.6	0	1.6	5.4	5.1	(2.0)
Rogers Agri Index	719.0	0.1	1.6	4.2	8.1	4.7
LIBOR (3M)*	0.25	(1)	(3)	(1)	(11)	(189)
INR 5Y Swap*	5.37	(3)	10	9	18	(89)
India FII data (US\$ mn)						
	19 Aug	18 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	96.3	(22.5)	34.9	(11.5)	(14,539.1)	(4,779.6)
FII-Equity	147.0	140.5	1,932.7	5,521.0	4,232.8	10,835.8

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

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