

MACRO DAILY

13 August 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 136.2bn and stood at Rs 26.8tn for the week ended 7 Aug 2020. Reserve money rose by 15% on a YoY basis, versus 12.5% a year ago. On a FYTD basis, reserve money increased by 5.2% as against an increase of 0.1% last year.
- US consumer prices inched up by 0.6% in Jul'20 on MoM basis, same as in Jun'20 and higher than expectation of 0.3%. This was led by surge in gasoline prices (5.6%). CPI excluding food and energy registered its highest monthly gain since Jan'91 at 0.6% versus 0.2% in Jun'20. On an annualised basis, CPI and core CPI rose by 1% and 1.6% respectively.
- UK GDP contracted by record 20.4% in Q2CY20 on a QoQ basis, versus 2.2% decline in Q1, thus entering a technical recession. This was driven by 23.1% drop in household consumption versus 2.9% decline in Q1 and 25.5% contraction in GFCF versus 1.1% dip in Q1. Services sector activity fell by 19.2% in Q2 from 2.3% drop in Q1.

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Markets

- **Bonds:** Global yields closed mixed as investors continued to monitor the progress of COVID-19 vaccine, mixed data prints globally and lack of clarity on US fiscal stimulus. US 10Y yield rose by 3bps (0.67%) supported by highest monthly gain in core CPI since Jan'91. Crude prices rose by 2.1% (US\$ 45/bbl) due to unexpected drop in US inventory. India's 10Y yield fell by 1bps (5.89%). It is trading at 5.88% today, ahead of CPI data.
- **Currency:** Global currencies closed mixed. DXY fell by 0.2% as uncertainty over US stimulus deal continued despite better than expected CPI print. GBP depreciated by 0.1% as UK's GDP growth contracted sharply in Q2CY20. INR depreciated by 0.1%. It is trading further lower today while other Asian currencies are trading mixed.
- **Equity:** Barring Sensex and Shanghai Comp, other global indices ended higher. This was led by better than expected CPI print from US, shrugging off concerns over rising COVID-19 cases and subdued UK GDP. Nikkei rose the most by 2.3%. Sensex declined by 0.1% dragged down by metal 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	0.67	3	13	3	2	(90)
UK	0.24	4	11	8	3	(21)
Japan	0.05	3	3	2	4	26
Germany	(0.45)	3	6	2	8	20
India	5.89	(1)	13	13	9	(74)
China	2.98	0	0	(6)	29	(4)
2Y yields (Δ bps)						
US	0.16	1	4	1	0	(142)
UK	0.01	1	6	12	4	(45)
Japan	(0.10)	0	2	1	5	16
Germany	(0.66)	2	3	3	7	21
India	4.25	(1)	6	14	(24)	(159)
China**	2.24	2	3	11	102	(28)
Currencies (Δ %)						
EUR	1.1784	0.4	(0.7)	4.3	8.9	5.8
GBP	1.3034	(0.1)	(0.6)	3.3	6.6	8.1
JPY	106.9100	(0.4)	(1.2)	0	0.1	(0.9)
AUD	0.7162	0.3	(0.4)	3.1	11.0	6.1
INR	74.8275	(0.1)	0.2	0.5	0.8	(5.0)
CNY	6.9372	0.1	0	0.9	2.2	1.2
Equity & Other indices (Δ %)						
Dow	27,977	1.0	2.9	7.3	20.3	9.8
FTSE	6,280	2.0	2.9	3.0	6.4	(12.1)
DAX	13,059	0.9	3.1	3.4	23.9	13.6
NIKKEI	22,844	2.3	1.5	2.5	12.7	10.6
Shanghai Comp	3,319	(0.6)	(1.7)	(1.9)	14.5	18.2
SENSEX	38,370	(0.1)	1.9	4.9	19.9	2.8
Brent (US\$/bbl)	45.43	2.1	0.6	5.1	55.6	(23.6)
Gold (US\$/oz)	1,916	0.2	(6.0)	6.5	11.6	26.3
CRB Index	379.1	0	0.4	4.3	4.5	(4.6)
Rogers Agri Index	696.7	0.4	0	0.8	6.8	0.8
LIBOR (3M)*	0.25	0	1	(1)	(14)	(191)
INR 5Y Swap*	5.27	3	11	0	2	(110)
India FII data (US\$ mn)						
	11 Aug	10 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	86.3	(39.6)	46.6	50.1	(14,477.6)	(4,718.1)
FII-Equity	1,572.8	169.9	1,742.7	3,084.8	1,796.7	8,399.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | **1Y yield

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