

MACRO DAILY

31 August 2020

Macro developments

- As per RBI data, credit demand edged down to 5.5% for the fortnight ending 14 Aug 2020 against 5.7% in Jul'20. Deposit growth however, rose by 11% against 11.1% in Jul'20. This was led by higher time deposit growth (11% against 10.6% in Jul'20). Demand deposits on the other hand, moderated to 11.2% from 15.4% in Jul'20.
- US consumer sentiment improved in Aug'20 as the index rose to 74.1, against preliminary reading of 72.8. Both the current situation and future expectation index rose, driven by anticipation of increased consumer spending.
- China's official manufacturing PMI eased a tad in Aug'20 to 51 from 51.1 in Jul'20. The marginal hit was on account of local floods and longer supply delivery times for raw materials. Sub-index for new export orders was at 49.1 versus 48.4 last month. On the other hand, non-manufacturing PMI rose to 55.2 in Aug'20 from 54.2 in Jul'20, as services sector growth is supported by lower cases resulting into higher inter-province travels.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 3bps (0.72%) as expectation of ultra-loose monetary policy persisted amidst Fed changing its target to average inflation. UK 10Y yield also fell by 3bps as BoE hinted at further stimulus. Japan 10Y yield rose by 2bps due to PM's resignation. Crude prices fell by 0.1% (US\$ 45/bbl). India 10Y yield fell by 1bps (6.14%) and is trading stable today.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.7% as new Fed inflation targeting imply lower rates are likely to continue. GBP rose by 1.2% as BoE Governor hinted that more stimulus may be forthcoming. INR rose by 0.6% amidst FII inflows. It is trading further higher today, in line with other Asian currencies.
- Equity:** Global indices ended mixed as investors remained cautious after Fed unveiled a policy shift. Nikkei (1.4%) declined the most after Japanese PM tendered his resignation citing health concerns. However, Sensex (0.9%) gained led by banking 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	0.72	(3)	9	14	7	(78)
UK	0.31	(3)	11	20	13	(17)
Japan	0.06	2	3	4	5	33
Germany	(0.41)	0	10	10	4	29
India	6.14	(1)	5	29	38	(42)
China	3.08	1	9	14	38	1
2Y yields (Δ bps)						
US	0.13	(3)	(2)	(1)	(3)	(138)
UK	(0.06)	(4)	(1)	4	(1)	(46)
Japan	(0.11)	0	0	1	4	19
Germany	(0.67)	(1)	2	2	(1)	26
India	4.49	0	17	24	9	(130)
China	2.52	2	8	27	96	(7)
Currencies (Δ %)						
EUR	1.1903	0.7	0.9	1.6	7.2	8.4
GBP	1.3353	1.2	2.0	3.3	8.2	9.8
JPY	105.37	1.1	0.4	(0.3)	2.3	0.9
AUD	0.7365	1.5	2.8	2.9	10.5	9.4
INR	73.40	0.6	1.9	1.9	2.9	(2.8)
CNY	6.8654	0.4	0.8	1.9	3.8	4.1
Equity & Other indices (Δ %)						
Dow	28,654	0.6	2.6	8.6	12.9	8.5
FTSE	5,964	(0.6)	(0.6)	(2.7)	(1.9)	(17.3)
DAX	13,033	(0.5)	2.1	1.5	12.5	9.2
NIKKEI	22,883	(1.4)	(0.2)	1.0	4.6	10.5
Shanghai Comp	3,404	1.6	0.7	5.4	19.3	17.9
SENSEX	39,467	0.9	2.7	2.5	21.7	5.7
Brent (US\$/bbl)	45.05	(0.1)	1.6	4.2	27.5	(25.5)
Gold (US\$/oz)	1,965	1.8	1.3	0.3	13.6	29.2
CRB Index	391.1	0.1	1.2	3.6	6.5	1.0
Rogers Agri Index	738.1	(0.1)	2.5	6.9	10.3	8.1
LIBOR (3M)*	0.25	(1)	(1)	(2)	(10)	(189)
INR 5Y Swap*	5.72	7	24	50	59	(47)
India FII data (US\$ mn)						
	27 Aug	26 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(177.7)	56.0	(244.0)	(274.7)	(14,802.3)	(5,042.8)
FII-Equity	192.7	222.5	792.9	6,350.9	5,062.7	11,665.6

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

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