

MACRO DAILY

10 September 2020

Macro developments

- As per news reports, government has released Rs 103bn to developers, for expediting infrastructure projects amidst COVID-19. This comes under the simplified payment process of the Atmanirbhar Bharat scheme. Another Rs 25bn is also due to be released. For HAM/BOT contracts, relief of Rs 35bn through performance guarantee has been provided.
- RBI reported that currency in circulation (CIC) increased by Rs 68bn and stood at Rs 26.8tn for the week ending 4 Sep 2020. Reserve money rose by 15.4% on a YoY basis compared with 13.5% a year ago. On a FYTD basis, reserve money increased by 6.1% as against 0.6% last year.
- China's PPI fell by 2% in Aug'20 (est.: 1.9% decline) from 2.4% drop in Jul'20. The slower pace of contraction was supported by inching up of international commodity prices, pick up in construction activities and higher export demand. Separately, CPI eased to 2.4% in Aug'20 from 2.7% in Jul'20, due to lower food prices (11.2% versus 13.2%). Muted domestic demand kept core inflation unchanged at 0.5% in Aug'20.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed awaiting ECB policy decision. ECB's recent comments on appreciation EUR also impacted sentiments. UK 10Y yield rose the most by 5bps (0.24%) amidst developments over UK's Internal Market Bill. US 10Y yield rose by 2bps (0.7%). Crude prices rose by 2.5% (US\$ 41/bbl). India's 10Y yield fell by 7bps (5.99%) as markets are expecting RBI's support to control yield curve. It is trading flat today.
- Currency:** Except JPY, other global currencies closed higher against the dollar. DXY fell by 0.2%. Both EUR and GBP rose by 0.2%, after EU issued a statement that it will continue Brexit negotiations with UK. INR was marginally higher by 0.1%. It is trading further higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed ahead of ECB's rate decision. Shanghai Comp (1.9%) declined the most followed by Nikkei (1%). However, Dow (1.6%) and European indices made a quick recovery led by a rebound in tech stocks. Sensex (0.4%) ended marginally lower 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 | 0.70 | 2 | 5 | 14 | (3) | (104) |
| UK | 0.24 | 5 | 1 | 10 | (3) | (40) |
| Japan | 0.03 | (1) | (1) | 2 | 1 | 23 |
| Germany | (0.46) | 3 | 1 | 5 | (13) | 10 |
| India | 5.99 | (7) | 7 | 15 | 22 | (69) |
| China | 3.09 | (4) | (2) | 10 | 26 | 3 |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.15 | 1 | 1 | 2 | (2) | (153) |
| UK | (0.08) | 5 | 3 | (6) | (4) | (57) |
| Japan | (0.11) | 1 | (1) | 0 | 3 | 15 |
| Germany | (0.69) | 1 | 1 | (1) | (8) | 15 |
| India | 4.50 | 0 | 13 | 28 | 7 | (121) |
| China | 2.59 | (2) | 9 | 36 | 59 | 6 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1803 | 0.2 | (0.4) | 0.1 | 3.8 | 7.2 |
| GBP | 1.3002 | 0.2 | (2.6) | (0.4) | 2.0 | 5.5 |
| JPY | 106.18 | (0.1) | 0 | (0.2) | 0.9 | 1.5 |
| AUD | 0.7283 | 1.0 | (0.7) | 1.8 | 4.1 | 6.1 |
| INR | 73.54 | 0.1 | (0.7) | 1.9 | 2.7 | (2.6) |
| CNY | 6.8333 | 0.2 | 0.1 | 1.9 | 3.2 | 4.0 |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,940 | 1.6 | (4.0) | 1.8 | 3.5 | 3.0 |
| FTSE | 6,013 | 1.4 | 1.2 | (0.3) | (5.0) | (18.1) |
| DAX | 13,237 | 2.1 | 0 | 4.4 | 5.6 | 7.1 |
| NIKKEI | 23,033 | (1.0) | (0.9) | 3.1 | (0.4) | 6.6 |
| Shanghai Comp | 3,255 | (1.9) | (4.4) | (3.0) | 10.6 | 8.2 |
| SENSEX | 38,194 | (0.4) | (2.3) | 0.4 | 11.5 | 2.5 |
| Brent (US\$/bbl) | 40.79 | 2.5 | (8.2) | (8.1) | (2.3) | (32.9) |
| Gold (US\$/oz) | 1,947 | 0.8 | 0.2 | (4.4) | 12.0 | 30.0 |
| CRB Index | 396.8 | (0.4) | 0.2 | 4.8 | 7.9 | 3.3 |
| Rogers Agri Index | 733.8 | (0.3) | (1.0) | 6.2 | 7.4 | 7.1 |
| LIBOR (3M)* | 0.25 | 0 | 0 | 0 | (7) | (188) |
| INR 5Y Swap* | 5.58 | (3) | 5 | 35 | 41 | (60) |
| India FII data (US\$ mn) | | | | | | |
| | 8 Sep | 7 Sep | WTD | MTD | CYTD | FYTD |
| FII-Debt | 22.4 | (25.7) | (3.3) | 156.4 | (14,933.6) | (5,174.1) |
| FII-Equity | 23.1 | 23.1 | 1.7 | (150.4) | 4,657.0 | 11,260.0 |

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com