

## 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.

#### Aditi Gupta

aditi.gupta3@bankofbaroda.com

#### Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

### 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
<b>10Y yields (Δ bps)</b>						
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)
<b>2Y yields (Δ bps)</b>						
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)
<b>Currencies (Δ %)</b>						
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
<b>Equity &amp; Other indices (Δ %)</b>						
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)
<b>India FII data (US\$ mn)</b>						
	<b>11 Aug</b>	<b>10 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
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

## 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](http://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](mailto:chief.economist@bankofbaroda.com)