

MACRO DAILY

18 September 2020

Macro developments

- Lok Sabha passed the Farmers' Produce Trade and Commerce (Promotion and Facilitation) and Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill. The reforms are expected to accelerate agriculture growth through private investment in building infrastructure and supply chain. Additionally, farmers will have the freedom to market their produce at better prices. MSP procurement system will also continue and benefit farmers.
- Bank of England (BoE) unanimously kept policy rate unchanged at 0.1% and its bond buying programme at the previous level of £ 745bn. It cited resurgence of COVID-19 cases and fear of no-deal Brexit as downside risks to growth. It also spoke of “structured engagement” with UK bank regulators on how it might implement negative rates.
- US housing starts fell by 5.1% in Aug'20 on a MoM basis compared with 17.9% increase in Jul'20. While housing starts for single-family homes continued to rise (4.1%), they fell sharply in the multi-family segment (25.4%), as builders were worried about rising cost and delay in supplies. Separately, jobless claims for the week ending 12 Sep 2020 eased to 0.86mn (0.88mn the previous week).

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (0.69%) as housing data showed signs of stress. UK 10Y yield fell by 3bps (0.19%) as BoE signalled negative rates to support the economy. Crude prices rose by 2.6% (US\$ 43/bbl) as OPEC+ urged compliance with production cuts. India's 10Y yield rose by 4bps (6.03%). It is trading lower at 6.01% today, supported by RBI's outright OMO purchase announcement of Rs 100bn.
- **Currency:** Except CNY and INR, other global currencies closed higher against the dollar. DXY fell by 0.3% amidst dismal housing starts. GBP was flat as BoE hinted at negative interest rates. INR fell by 0.2%. It is trading further lower today while other Asian currencies are trading higher.
- **Equity:** Global indices ended lower. Dow snapped a 4-day winning streak and fell by 0.5% on the back weak macro data. FTSE also fell by 0.5% as BoE noted that economic outlook remains uncertain. Sensex fell by 0.8%, led by real estate and 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	0.69	(1)	1	0	(2)	(110)
UK	0.19	(3)	(4)	(3)	(4)	(45)
Japan	0.02	0	(1)	(3)	0	23
Germany	(0.49)	(1)	(6)	(4)	(8)	2
India	6.03	4	(2)	8	21	(61)
China	3.14	1	4	19	28	4
2Y yields (Δ bps)						
US	0.14	0	0	(2)	(6)	(160)
UK	(0.11)	(5)	0	(7)	(7)	(63)
Japan	(0.13)	0	(2)	(3)	0	16
Germany	(0.70)	(1)	(3)	(4)	(5)	3
India	4.44	(1)	(5)	17	8	(130)
China	2.61	0	4	36	45	8
Currencies (Δ %)						
EUR	1.1848	0.3	0.3	(0.2)	5.7	7.3
GBP	1.2973	0	1.3	(1.0)	4.4	3.6
JPY	104.74	0.2	1.3	1.2	2.1	3.0
AUD	0.7313	0.1	0.8	1.4	6.7	7.7
INR	73.66	(0.2)	(0.3)	1.6	3.3	(3.3)
CNY	6.7638	(0.1)	1.0	2.4	4.6	4.7
Equity & Other indices (Δ %)						
Dow	27,902	(0.5)	1.3	0.2	7.0	3.0
FTSE	6,050	(0.5)	0.8	(1.3)	(2.8)	(17.8)
DAX	13,208	(0.4)	0	2.2	7.5	6.0
NIKKEI	23,319	(0.7)	0.4	1.0	4.3	5.8
Shanghai Comp	3,270	(0.4)	1.1	(4.9)	11.3	9.0
SENSEX	38,980	(0.8)	0.4	2.4	13.9	8.0
Brent (US\$/bbl)	43.30	2.6	8.1	(4.6)	4.3	(32.8)
Gold (US\$/oz)	1,944	(0.8)	(0.1)	(2.1)	12.9	29.7
CRB Index	406.5	0.2	1.8	6.0	11.8	5.4
Rogers Agri Index	755.3	0.9	2.4	5.3	12.6	7.7
LIBOR (3M)*	0.23	(1)	(2)	(3)	(7)	(193)
INR 5Y Swap*	5.54	(1)	(7)	18	38	(81)
India FII data (US\$ mn)						
	16 Sep	15 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	28.9	119.5	179.5	347.2	(14,742.8)	(4,983.3)
FII-Equity	67.2	252.6	401.6	580.8	5,388.2	11,991.2

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

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