

MACRO DAILY

19 August 2020

Macro developments

- As per news reports, government has received proposals worth Rs 12tn for the next five years under Production Linked Incentive (PLI) scheme. The top global and domestic mobile manufacturers have applied for the same. Out of this Rs 12tn around Rs 7tn will be for exports. It has also been said that this will generate employment to 1.2mn people.
- US housing starts rose by 22.6% on MoM basis in Jul'20 to 1.5mn units from 1.22mn units in Jun'20 (0.3%). This was the biggest gain since Oct'16 and brings the new housing starts much closer to pre-pandemic levels (1.57mn in Feb'20). The surge was driven by both single and multi-family housing units. Building permits also rose by 18.8% in Jul'20 (3.5% in Jun'20) with 17% jump in single family units.
- Japan's exports contracted by 19.2% in Jul'20 versus 26.2% drop in Jun'20. This is the 5th straight month of double-digit decline in exports, thus dimming hopes of a quick economic recovery. While exports to US declined by 19.5% in Jul'20, exports to China picked up by 8.2%. Separately, core machinery orders declined by 7.6% in Jun'20 on a MoM basis, versus 1.7% increase in May'20 and estimate of a 2.1% rise.

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Markets

- Bonds:** Global yields closed mixed weighed down by varied data prints and ongoing tensions between US and China. US 10Y yield fell by 2bps (0.67%) awaiting Fed minutes. Crude prices rose by 0.2% (US\$ 45/bbl) awaiting ministerial panel meeting of OPEC+ and also due to more than expected drop in US inventory. India's 10Y yield rose by 1bps (5.95%). It is trading at 5.98% today.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.6% to its lowest since Apr'18 ahead of Fed minutes. GBP rose the most by 1% to an 8-month high. INR too appreciated by 0.2%. It is trading further higher today, while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp and Sensex, other global indices ended lower. FTSE and Dax fell the most. Investor sentiments were weighed down by ongoing US-China trade tensions. Sensex rose by 1.3% with realty and banking stocks advancing the most. It is trading higher today while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.67	(2)	3	4	(2)	(89)
UK	0.22	0	2	6	(3)	(23)
Japan	0.04	(1)	1	2	3	27
Germany	(0.46)	(1)	2	(2)	0	23
India	5.95	1	9	15	18	(64)
China	2.98	3	0	1	24	(5)
2Y yields (Δ bps)						
US	0.14	(1)	(1)	0	(2)	(137)
UK	(0.04)	0	(5)	5	(2)	(53)
Japan	(0.11)	0	(1)	2	4	18
Germany	(0.66)	0	2	1	1	25
India	4.27	0	1	11	(25)	(158)
China	2.26	0	4	20	101	(26)
Currencies (Δ %)						
EUR	1.1931	0.5	1.6	4.4	9.2	7.5
GBP	1.3239	1.0	1.5	5.3	8.0	8.8
JPY	105.4100	0.6	1.0	1.5	2.1	0.8
AUD	0.7243	0.4	1.4	3.5	10.8	6.9
INR	74.7600	0.2	0	0.3	1.2	(4.3)
CNY	6.9218	0.2	0.4	1.0	2.5	2.0
Equity & Other indices (Δ %)						
Dow	27,778	(0.2)	0.3	4.1	14.8	7.0
FTSE	6,077	(0.8)	(1.3)	(3.4)	1.2	(14.7)
DAX	12,882	(0.3)	(0.5)	(0.3)	16.3	10.6
NIKKEI	23,051	(0.2)	1.3	1.6	12.8	11.5
Shanghai Comp	3,451	0.4	3.3	7.4	19.1	19.8
SENSEX	38,528	1.3	0.3	4.1	27.6	3.2
Brent (US\$/bbl)	45.46	0.2	2.2	5.4	31.2	(24.3)
Gold (US\$/oz)	2,002	0.9	4.7	10.6	14.7	32.9
CRB Index	383.7	0.4	1.2	4.6	4.3	(3.0)
Rogers Agri Index	715.1	(0.3)	3.1	2.9	7.8	4.2
LIBOR (3M)*	0.27	0	1	0	(11)	(188)
INR 5Y Swap*	5.36	0	12	11	23	(98)
India FII data (US\$ mn)						
	17 Aug	14 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(38.8)	(83.2)	(38.8)	(85.3)	(14,612.9)	(4,853.4)
FII-Equity	1,645.2	(25.1)	1,645.2	5,233.6	3,945.4	10,548.3

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

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