

MACRO DAILY

22 September 2020

Macro developments

- Government has hiked the MSP for Rabi crops for the marketing season (2021-2022) in line with the recommendations of Swaminathan Commission. MSP for wheat has been hiked by Rs 50 per quintal to Rs 1,975. MSP for pulses and oilseeds have been raised to the highest in order to boost their production and reduce imports. It was also assured that the procurement at MSP and APMC mandis will also continue.
- India's Finance Minister said that with the passage of amendments to the Insolvency and Bankruptcy Code (IBC) by the Lok Sabha, surge in insolvency cases are unlikely. Under this, proceedings for up to a maximum of one year against fresh COVID-related defaults from 25 Mar 2020 have been suspended. As per IBC data, of the 2,108 ongoing cases as of Jun'20, the resolution of 1,094 has been dragged beyond 270 days.
- S.Korea's 20 day exports rose for the 1st time in six months in Sep'20 to 3.6% compared with 7.5% decline in the same period in Aug'20. The jump was led by semiconductors (25.3%) and cars (38.8%). Country-wise, exports to China (8.7%), US (16.1%) and Europe (9.6%) rose the most.

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Markets

- Bonds:** Global yields broadly closed lower as risk appetite has fallen over mounting COVID-19 cases globally (daily increase in 0.27mn cases throughout the world). Thus, US 10Y yield fell by 3bps (0.67%). Crude prices also fell by 4% (US\$ 41/bbl) over concerns of muted demand. India's 10Y yield closed flat at 6.02%. It is trading at 6.01% today.
- Currency:** Except INR, other global currencies closed lower against the dollar. DXY rose by 0.8% amidst rising COVID-19 cases globally. GBP fell the most by 0.8% on concerns over re-imposition of lockdown. INR however rose by 0.1%. However it is trading lower today while other Asian currencies are trading mixed.
- Equity:** Global indices tumbled stoked by fears of surge in COVID-19 cases globally. European indices were the worst performers with concerns over second possible lockdown and allegations of fraudulent bank dealings dragging them lower. Sensex (2.1%) too ended in red led by subdued global cues with real estate and metal stocks losing the most. It is trading lower today; while 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	(3)	(1)	4	(4)	(106)
UK	0.16	(3)	(4)	(5)	(4)	(40)
Japan	0.02	0	(1)	(2)	0	22
Germany	(0.53)	(5)	(5)	(2)	(9)	5
India	6.02	0	(2)	(7)	14	(73)
China	3.10	(2)	(5)	11	18	(0)
2Y yields (Δ bps)						
US	0.14	0	0	(1)	(5)	(154)
UK	(0.12)	(1)	(2)	(7)	(6)	(61)
Japan	(0.14)	0	(2)	(3)	(1)	16
Germany	(0.73)	(3)	(2)	(4)	(4)	2
India	4.44	0	(5)	12	10	(135)
China	2.61	0	(1)	17	38	7
Currencies (Δ %)						
EUR	1.1771	(0.6)	(0.8)	(0.2)	4.5	7.1
GBP	1.2817	(0.8)	(0.2)	(2.1)	2.8	3.1
JPY	104.65	(0.1)	1.0	1.1	2.1	2.7
AUD	0.7224	(0.9)	(0.9)	0.9	4.6	6.7
INR	73.40	0.1	0.1	1.9	3.5	(3.5)
CNY	6.8053	(0.5)	0.1	1.6	3.7	4.4
Equity & Other indices (Δ %)						
Dow	27,148	(1.8)	(3.0)	(2.8)	4.3	0.7
FTSE	5,804	(3.4)	(3.7)	(3.3)	(7.1)	(20.8)
DAX	12,542	(4.4)	(4.9)	(1.7)	2.3	1.6
NIKKEI	23,360	0.2	(0.8)	1.9	4.1	5.8
Shanghai Comp	3,317	(0.6)	1.2	(1.9)	11.9	11.4
SENSEX	38,034	(2.1)	(1.9)	(1.0)	8.9	(2.7)
Brent (US\$/bbl)	41.44	(4.0)	4.6	(6.6)	(3.8)	(36.0)
Gold (US\$/oz)	1,913	(2.0)	(2.3)	(1.4)	9.0	25.6
CRB Index	407.8	(0.6)	0.8	5.5	12.4	5.6
Rogers Agri Index	748.0	(1.9)	0.4	3.9	11.1	6.4
LIBOR (3M)*	0.23	0	(1)	(2)	(7)	(188)
INR 5Y Swap*	5.57	(3)	(2)	8	39	(83)
India FII data (US\$ mn)						
	18 Sep	17 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	46.5	(36.3)	189.7	357.3	(14,732.7)	(4,973.2)
FII-Equity	248.8	(17.8)	632.6	811.9	5,619.2	12,222.2

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

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