

## MACRO DAILY

08 September 2020

### Macro developments

- RBI has released the KV Kamath Committee report on resolution framework for COVID-19 related stress. It has identified 26 sectors such as power, construction, iron and steel. These sectors will require restructuring based on the performance of 5 major financial parameters- total outside liability/adjusted tangible net worth, total debt/EBIDTA, current ratio, debt service coverage ratio, average debt service coverage ratio. Sector specific thresholds have also been recommended.
- Japan's Q2CY20 GDP has been revised down to a decline of 7.9% from 7.8% estimated earlier. On an annualised basis, GDP contracted by 28.1% versus 27.8% estimated earlier. The revision was on account of private non-residential investment and government consumption, which have fallen by 4.7% and 0.6% respectively, versus 1.5% and 0.3% drop estimated earlier.
- Germany's industrial production rose by 1.2% in Jul'20 on a MoM basis compared with 9.3% increase in Jun'20 raising concerns of recovery in the Eurozone. Energy and construction output declined by 0.6% and 4.3% respectively. However, production ex-energy and construction inched up by 2.8%, led by intermediate goods at 4% and capital goods at 2.1%.

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### Markets

- **Bonds:** Except UK, global yields closed higher. Germany 10Y yield rose by 1bps as ECB may revise its inflation forecast in its upcoming meet. Crude prices fell by 1.5% (US\$ 42/bbl) as Saudi Arabia has cut the Oct'20 selling price. India's 10Y yield rose by 6bps (5.99%) amidst fiscal concerns. It is trading at 6.02% today.
- **Currency:** Except JPY and CNY, other global currencies closed lower. GBP depreciated by 0.9% on the back of Brexit uncertainty. EUR fell by 0.2% ahead of the ECB meet. INR too depreciated by 0.3% even as oil prices eased. It is trading further lower today in line with its Asian peers.
- **Equity:** Global indices ended mixed as investors turned their focus towards the upcoming ECB policy meet and progress in COVID-19 vaccine. Shanghai Comp (1.9%) declined the most. However, Sensex (0.2%) ended in green led by tech 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
<b>10Y yields (Δ bps)</b>						
US	0.72	8	1	15	(16)	(93)
UK	0.25	(2)	(6)	11	(9)	(34)
Japan	0.05	1	0	4	(1)	30
Germany	(0.46)	1	(7)	5	(14)	12
India	5.99	6	(12)	15	19	(58)
China	3.15	2	13	16	33	12
<b>2Y yields (Δ bps)</b>						
US	0.14	2	1	1	(8)	(145)
UK	(0.09)	(2)	(3)	(7)	(9)	(53)
Japan	(0.12)	0	(1)	0	1	19
Germany	(0.70)	0	(5)	(2)	(8)	16
India	4.41	7	(5)	19	(4)	(130)
China	2.60	1	10	37	59	2
<b>Currencies (Δ %)</b>						
EUR	1.1817	(0.2)	(1.0)	0.3	4.6	7.0
GBP	1.3166	(0.9)	(1.5)	0.9	3.5	6.6
JPY	106.27	0	(0.3)	(0.3)	2.0	0.9
AUD	0.7277	(0.1)	(1.3)	1.7	3.6	6.0
INR	73.35	(0.3)	0.4	2.1	2.9	(2.3)
CNY	6.8305	0.2	0.3	2.0	3.4	4.1
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,133	(0.6)	(1.0)	2.6	2.0	4.8
FTSE	5,937	2.4	(0.4)	(1.6)	(8.3)	(17.9)
DAX	13,100	2.0	1.2	3.4	2.2	7.2
NIKKEI	23,090	(0.5)	(0.2)	3.4	(0.4)	8.3
Shanghai Comp	3,293	(1.9)	(3.0)	(1.8)	12.1	8.9
SENSEX	38,417	0.2	(0.5)	1.0	11.8	3.4
Brent (US\$/bbl)	42.01	(1.5)	(7.2)	(5.4)	3.0	(32.9)
Gold (US\$/oz)	1,934	0	(1.7)	(5.0)	13.8	29.0
CRB Index	398.6	0.9	1.0	5.3	8.0	3.8
Rogers Agri Index	736.1	0	(0.4)	6.5	7.4	8.9
LIBOR (3M)*	0.25	0	1	0	(6)	(189)
INR 5Y Swap*	5.61	7	(3)	38	48	(48)
<b>India FII data (US\$ mn)</b>						
	<b>4 Sep</b>	<b>3 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	152.3	85.4	129.0	159.7	(14,930.3)	(5,170.8)
FII-Equity	(382.8)	(16.2)	(472.4)	(152.1)	4,655.3	11,258.3

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps Note: Markets in US were closed on 7 Sep 2020.

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