

MACRO DAILY

09 September 2020

Macro developments

- As per news reports, government is planning to sell about 15-20% of its stake in IRCTC in FY21 through OFS route in tranches. Previously, stake sale of 12.6% had fetched Rs 6.45bn to the government. In a separate report, Cabinet Committee on Economic Affairs (CCEA) has approved asset monetisation of subsidiaries of Power Grid Corporation of India Ltd (PGCIL) through InvIT which would help them to garner Rs 70bn.
- Germany's export growth declined by 11% in Jul'20 versus 9.4% drop in Jun'20. Owing to COVID-19 pandemic, exports to US were hit the most (17% decline) followed by exports to UK (12.6% decline). Exports to China were down by only 0.1%. Domestic demand also remained muted with imports falling by 11.3% in Jul'20 versus 10% decline in Jun'20.
- Euro Area GDP growth contracted by 11.8% in Q2CY20 versus a decline of 12% estimated earlier. However, this continues to be the sharpest drop since CY95. Household consumption (6.6ppts) and investment (3.3ppts) were the biggest drag on growth. However, some recovery is expected in Q3CY20 as countries have begun to reopen.

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Markets

- Bonds:** Except India, global yields closed lower as fear of second wave of COVID-19 infection emerged with rising cases in India, US and Spain. US 10Y yield fell by 4bps (0.68%) on safe-haven demand. UK 10Y yield fell by 6bps on Brexit woes. Crude prices fell by 5.3% (US\$ 40/bbl). India's 10Y yield rose by 6bps (6.06%) due to fiscal concerns. It is trading flat today.
- Currency:** Except JPY, other global currencies closed lower against the dollar. DXY rose sharply by 0.8% on safe-haven demand as global stocks and oil prices slipped. GBP depreciated further 1.4% weighed down by Brexit concerns. INR too depreciated by 0.3% despite lower oil prices. It is trading further lower today in line with its Asian peers.
- Equity:** Barring Nikkei and Shanghai Comp, other global indices ended lower led by sell-off in tech stocks. Dow (2.2%) declined the most followed by Dax (0.1%). Sensex (0.1%) too ended in red and was dragged lower by metal stocks. It is trading lower today on the back of escalated border tensions between India and China. Asian stocks too are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.68	(4)	1	11	(15)	(105)
UK	0.19	(6)	(11)	5	(15)	(45)
Japan	0.04	(1)	(1)	3	2	26
Germany	(0.50)	(3)	(8)	1	(19)	5
India	6.06	6	12	22	28	(52)
China	3.13	(2)	6	14	31	8
2Y yields (Δ bps)						
US	0.14	0	1	1	(6)	(154)
UK	(0.13)	(4)	(3)	(11)	(14)	(61)
Japan	(0.12)	0	(1)	(1)	2	16
Germany	(0.71)	0	(3)	(2)	(10)	14
India	4.50	9	14	28	8	(121)
China	2.61	0	11	38	60	2
Currencies (Δ %)						
EUR	1.1778	(0.3)	(1.1)	(0.1)	3.9	6.7
GBP	1.2982	(1.4)	(3.0)	(0.5)	2.0	5.1
JPY	106.03	0.2	(0.1)	(0.1)	1.6	1.4
AUD	0.7214	(0.9)	(2.1)	0.8	3.6	5.1
INR	73.60	(0.3)	(1.0)	1.8	2.7	(2.6)
CNY	6.8464	(0.2)	(0.3)	1.7	3.3	3.7
Equity & Other indices (Δ %)						
Dow	27,501	(2.2)	(4.0)	0.2	0.8	2.2
FTSE	5,930	(0.1)	1.2	(1.7)	(6.4)	(18.4)
DAX	12,968	(1.0)	0	2.3	2.8	5.7
NIKKEI	23,274	0.8	0.6	4.2	0.8	8.8
Shanghai Comp	3,316	0.7	(2.8)	(1.1)	12.2	9.8
SENSEX	38,365	(0.1)	(1.4)	0.9	13.0	3.3
Brent (US\$/bbl)	39.78	(5.3)	(12.7)	(10.4)	(3.4)	(36.2)
Gold (US\$/oz)	1,932	(0.1)	(1.9)	(5.1)	12.6	30.0
CRB Index	398.6	0.9	1.1	5.3	8.1	3.9
Rogers Agri Index	736.1	0	(1.0)	6.5	7.8	7.5
LIBOR (3M)*	0.25	0	0	0	(7)	(188)
INR 5Y Swap*	5.63	9	11	40	51	(47)
India FII data (US\$ mn)						
	7 Sep	4 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(25.7)	152.3	(25.7)	134.1	(14,955.9)	(5,196.4)
FII-Equity	23.1	(382.8)	23.1	(129.0)	4,678.4	11,281.4

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

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