

MACRO DAILY

23 July 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 20bn and stood at Rs 26.7tn for the week ending 17 Jul 2020. Reserve money rose by 13.9% on a YoY basis, compared with 12.8% a year ago. On a FYTD basis, reserve money increased by 5.1% as against 0.8% last year.
- US existing home sales surged by 21% in Jun'20 to 4.7mn much higher than 3.9mn in May'20. This is the largest monthly increase on record (since CY68) after three months of consecutive decline due to COVID-19 crisis. This was supported by record low mortgage rates.
- South Korea's GDP contracted at its sharpest pace since CY98 in Q2CY20 at 3.3% (est. 2.4% decline). With a contraction of 1.4% in Q1 as well, it has now entered a recession much like Japan and Singapore. The decline in Q2 was driven by exports which fell by 16.3%, the sharpest fall since CY63. Manufacturing activity too fell by 9%. However, private consumption rose by 1.4% supported by government cash hand-outs.

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Markets

- **Bonds:** Except US, global yields closed lower amidst rising COVID-19 cases and ongoing tension between US-China. US 10Y yield closed stable (0.6%) awaiting jobless claims data. Crude prices fell by 0.1% (US\$ 44/bbl) due to build-up in US inventory. India's 10Y yield fell by 2bps (5.81%) on expectation of stimulus from RBI. It is trading at 5.82% today.
- **Currency:** Global currencies closed mixed. EUR rose by 0.4% to a 2-year high buoyed by EU stimulus program. While DXY fell by 0.1% to a 4-month low, CNY too depreciated by 0.3% as US-China tensions escalated. INR closed flat. It is trading higher today in line with other Asian currencies.
- **Equity:** Barring Dow and Shanghai Comp, other global indices ended lower as investors turned cautious over rising COVID-19 cases, offsetting the optimism from EU stimulus plan. FTSE (1%) declined the most followed by Nikkei (0.6%). Sensex (0.2%) too ended in red, snapping its 5-day streak. It was dragged lower by tech and cap good 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	0.60	0	(3)	(11)	(2)	(145)
UK	0.12	(2)	(5)	(7)	(21)	(56)
Japan	0.02	(1)	(2)	1	2	17
Germany	(0.49)	(3)	(5)	(5)	(8)	(11)
India	5.81	(2)	0	(6)	(41)	(62)
China	2.90	(2)	(6)	(2)	35	(28)
2Y yields (Δ bps)						
US	0.15	1	(1)	(4)	(6)	(167)
UK	(0.11)	0	(2)	(4)	(19)	(59)
Japan	(0.13)	0	1	0	1	8
Germany	(0.69)	(2)	(2)	0	(2)	9
India	4.19	0	3	(15)	(40)	(191)
China	2.06	(7)	0	(16)	92	(49)
Currencies (Δ %)						
EUR	1.1570	0.4	1.4	2.7	6.9	3.9
GBP	1.2734	0	1.2	2.1	3.2	2.0
JPY	107.15	(0.3)	(0.2)	(0.2)	0.6	1.0
AUD	0.7140	0.2	1.9	3.4	12.9	2.3
INR	74.76	0	0.5	1.7	2.5	(8.4)
CNY	7.0002	(0.3)	(0.2)	1.0	1.2	(1.9)
Equity & Other indices (Δ %)						
Dow	27,006	0.6	0.5	3.8	15.0	(1.0)
FTSE	6,207	(1.0)	(1.4)	(0.6)	7.6	(17.3)
DAX	13,104	(0.5)	1.3	6.9	25.8	4.6
NIKKEI	22,752	(0.6)	(0.8)	1.4	18.9	4.8
Shanghai Comp	3,333	0.4	(0.8)	12.4	17.2	14.0
SENSEX	37,872	(0.2)	5.0	8.5	20.7	0.1
Brent (US\$/bbl)	44.29	(0.1)	1.1	2.8	117.4	(29.9)
Gold (US\$/oz)	1,871	1.6	3.4	6.7	9.2	31.2
CRB Index	369.5	0.5	1.0	1.8	5.4	(9.3)
Rogers Agri Index	695.6	0.6	1.0	3.3	7.7	(5.8)
LIBOR (3M)*	0.26	0	(2)	(4)	(76)	(201)
INR 5Y Swap*	5.27	(5)	1	9	(5)	(124)
India FII data (US\$ mn)						
	21 Jul	20 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(242.2)	49.1	(193.1)	(155.8)	(14,437.8)	(4,678.3)
FII-Equity	279.6	219.8	499.4	61.8	(2,379.7)	4,223.3

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

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