

MACRO DAILY

15 June 2020

Macro developments

- India's forex reserves rose by US\$ 8.2bn to a record-high at US\$ 501.7bn in the week ended 5 Jun 2020 compared with an increase of US\$ 3.4bn last week. This was the largest weekly increase since Sep'07. In CYTD20, forex reserves have risen by US\$ 44.2bn, higher compared with an accretion of US\$ 28.8bn last year.
- UK GDP contracted by 20.4% in Apr'20 against 5.8% decline in Mar'20. This was the worst contraction in past three centuries, led by sharp fall in construction (40% decline against 5.9% fall in Mar'20) and manufacturing (24.3% decline against 4.6% fall in Mar'20) activities. In a separate print UK's industrial production also fell by a record 20.3% in Apr'20.
- Japan's preliminary estimates for industrial production in Apr'20 was revised downward from a decline of 14.4% to 15% and from 5.2% in Mar'20 on a YoY basis. Steepest fall was visible in production of motor vehicles (44.1%), iron & steel (24.1%) and electrical machinery (12.8%). In addition, in view of growth slowdown, parliament has also approved ¥31.9tn second stimulus package.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed amidst fear of second wave of infections as fresh COVID-19 cases emerged in Beijing. US 10Y yield rose by 4bps (0.71%). Crude prices rose by 0.5% (US\$ 39/bbl) supported by production cut decision. India's 10Y yield closed flat at 5.99%. It is trading lower at 5.98% today, supported by falling food inflation.
- Currency:** Except AUD, other global currencies closed lower amidst rising concerns over second wave of infections. DXY rose by 0.6%. GBP depreciated by 0.5% after data showed that UK's GDP contracted sharply in Apr'20. INR also fell by 0.3%. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended mixed on the back of rising COVID-19 cases and possible fear of cases resurfacing again in China. Nikkei (1.3%) dropped the most followed by Dax (0.3%). However, Sensex (0.7%) ended in green, bouncing back from its previous losses with auto and telecom stocks advancing 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	0.71	4	(19)	(4)	(14)	(143)
UK	0.21	1	(15)	(7)	(7)	(64)
Japan	0.01	0	(4)	0	7	12
Germany	(0.44)	(2)	(16)	10	33	(17)
India	5.99	0	(3)	(18)	(25)	(102)
China	2.79	2	(6)	13	14	(50)
2Y yields (Δ bps)						
US	0.19	(1)	(2)	2	(28)	(164)
UK	(0.05)	0	(6)	(6)	(25)	(64)
Japan	(0.17)	(3)	(5)	(1)	8	6
Germany	(0.69)	(4)	(9)	10	28	3
India	4.42	(2)	(3)	1	(97)	(184)
China	1.99	(1)	0	75	3	(54)
Currencies (Δ %)						
EUR	1.1256	(0.4)	(0.3)	4.6	1.0	0.2
GBP	1.2540	(0.5)	(1.0)	2.2	0.2	(0.6)
JPY	107.38	(0.5)	2.0	0.7	(2.1)	1.4
AUD	0.6866	0.2	(1.5)	5.6	9.9	(0.9)
INR	75.85	(0.1)	(0.4)	(0.1)	(2.1)	(9.0)
CNY	7.0835	(0.3)	0	0.5	(0.5)	(2.1)
Equity & Other indices (Δ %)						
Dow	25,606	1.9	(5.6)	3.7	18.5	(3.7)
FTSE	6,105	0.5	(5.8)	2.3	16.0	(17.5)
DAX	11,949	(0.2)	(7.0)	10.6	30.7	(1.6)
NIKKEI	22,184	(1.3)	(3.0)	10.2	21.1	6.9
Shanghai Comp	2,920	0	(0.4)	0.9	(0.1)	0.3
SENSEX	33,781	0.7	(1.5)	6.3	2.3	(15.6)
Brent (US\$/bbl)	38.73	0.5	(8.4)	30.1	16.0	(37.1)
Gold (US\$/oz)	1,728	(0.6)	0.8	1.8	9.6	28.7
CRB Index	366.6	(0.3)	(0.5)	1.3	(7.4)	(11.3)
Rogers Agri Index	676.4	(1.0)	(0.7)	2.9	0.5	(11.3)
LIBOR (3M)*	0.32	0	0	(12)	(42)	(209)
INR 5Y Swap*	5.22	5	6	(9)	(39)	(156)
India FII data (US\$ mn)						
	11 Jun	10 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	15.7	(10.1)	(65.2)	(290.9)	(14,346.2)	(4,586.7)
FII-Equity	113.2	(49.1)	266.4	2,864.5	(2,050.0)	4,553.0

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com