

MACRO DAILY

26 August 2020

Macro developments

- RBI's balance sheet expanded by 30% in FY20 to Rs 53tn led by FX intervention, higher gold prices and OMOs. Notes in circulation increased by 22% to Rs 26.35tn followed by CGRA which was up by Rs 3.1tn to Rs 9.77tn. Surplus liquidity with SCBs deposits with RBI under reverse repo increased to Rs 7tn from Rs 2.15tn last year. RBI's surplus fell to Rs 571bn in FY20 from Rs 1,760bn last year.
- US macro prints remained mixed. Consumer confidence index tumbled to lowest since May'14 (84.8 in Aug'20 from 91.7 in Jul'20). This was led by deterioration in sentiments about business and employment conditions. In a separate print, US new home sales rose to its highest since Dec'06 to 0.9mn in Jul'20 (0.79mn in Jun'20).
- Germany's IFO business climate index rose to 92.6 points in Aug'20 from 90.4 in Jul'20, led by marked increase in confidence in manufacturing (5.4 versus -12.1) and services sector (7.8 versus 2.1). Separately, Germany's Q2CY20 GDP print showed the economy contracted by 9.7% after a decline of 2% in Q1. Barring government consumption (1.5%), all other components fell with private consumption, construction taking the lead.

Sonal badhan

sonal.badhan@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except India, global yields closed higher boosted by optimism surrounding US-China trade deal. US 10Y yield rose by 4bps (0.69%). Crude prices rose by 1.8% (US\$ 46/bbl) due to supply disruption in the Gulf of Mexico. India's 10Y yield fell by 4bps (6.13%) supported by RBI's special OMO announcement. It is trading at 6.12% today.
- **Currency:** Except JPY and INR, other global currencies closed higher against the dollar. DXY fell by 0.2% ahead of Fed Chair's speech. EUR rose by 0.4% as Germany's business climate rose more than expected in Aug'20. INR closed flat. It is trading further higher today, while other Asian currencies are trading lower.
- **Equity:** Global indices ended mixed on the back of subdued data print (US consumer confidence, Q2 Germany GDP). Amongst other indices, FTSE (1.1%) dropped the most, followed by Dow and Shanghai Comp. Sensex, on the other hand inched up by 0.1% led by banking stocks. It is trading lower today; while other 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	0.69	4	2	7	0	(88)
UK	0.27	5	5	7	4	(27)
Japan	0.03	1	(1)	1	3	29
Germany	(0.43)	7	3	(4)	0	18
India	6.13	(4)	18	34	41	(32)
China	3.06	6	8	13	34	(5)
2Y yields (Δ bps)						
US	0.14	(1)	0	0	(2)	(139)
UK	(0.03)	1	1	5	1	(50)
Japan	(0.12)	(2)	(1)	3	5	22
Germany	(0.67)	1	(1)	(3)	0	22
India	4.38	1	11	20	(6)	(138)
China	2.45	1	23	18	104	(14)
Currencies (Δ %)						
EUR	1.1835	0.4	(0.8)	1.1	8.2	6.2
GBP	1.3146	0.6	(0.7)	2.1	7.2	6.9
JPY	106.3100	(0.3)	(0.9)	0.2	1.6	0.1
AUD	0.7195	0.4	(0.7)	0.8	9.4	5.7
INR	74.3213	0	0.6	0.7	2.2	(3.2)
CNY	6.9129	0.1	0.1	1.4	3.0	3.2
Equity & Other indices (Δ %)						
Dow	28,248	(0.2)	1.7	6.9	15.7	9.3
FTSE	6,037	(1.1)	(0.7)	(0.3)	1.9	(14.0)
DAX	13,062	0	1.4	1.8	14.7	12.1
NIKKEI	23,297	1.4	1.1	1.0	10.8	13.4
Shanghai Comp	3,379	(0.2)	(2.1)	5.9	20.1	18.2
SENSEX	38,844	0.1	0.8	1.8	26.5	3.5
Brent (US\$/bbl)	45.92	1.8	1.0	4.1	27.0	(23.1)
Gold (US\$/oz)	1,929	(0.6)	(2.8)	1.4	11.4	26.3
CRB Index	387.5	0.3	1.0	3.7	6.0	(1.1)
Rogers Agri Index	721.5	0.2	0.6	4.0	9.1	5.5
LIBOR (3M)*	0.25	(1)	(2)	0	(12)	(189)
INR 5Y Swap*	5.54	6	18	31	41	(62)
India FII data (US\$ mn)						
	24 Aug	21 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	17.4	129.3	17.4	(13.3)	(14,540.9)	(4,781.4)
FII-Equity	142.0	58.5	142.0	5,699.9	4,411.8	11,014.7

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