

MACRO DAILY

03 March 2020

Macro developments

- India's manufacturing PMI eased marginally to 54.5 in Feb'20 from 55.3 in Jan'20. The PMI print remained above the 50 mark, signalling continuous expansion, on the back of strong order flows led by both domestic and external demand. Though, the expansion has been at a slower pace owing to the escalated concerns over the outbreak of COVID-19.
- OECD has slashed India's growth forecast for FY21 to 5.1% vs 6.2% earlier on the back of the coronavirus outbreak and its impact on global growth. Growth is expected to recover to 5.6% in FY22 vs 6.4% earlier. In FY20, GDP growth is estimated to be 4.9%. World GDP growth is also expected to be lower at 2.4% in CY20 (-50bps) and 3.3% in CY21 (+30bps).
- Global manufacturing activity remained muted driven by disruption in global supply chains due to COVID-19. US manufacturing PMI was down to 50.7 in Feb'20 from 51.9 in Jan'20. Eurozone PMI was at 49, still below the 50-mark. Japan PMI fell to 47.8 vs 48.8 in Jan'20. China manufacturing PMI fell sharply to 40.3 vs 51.1 in Jan'20, due to factory closure. Cost pressure and employment remained subdued.

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Markets

- Bonds:** Global yields closed mixed as global central banks are expected to provide stimulus to support growth which is facing risks owing to COVID-19. G-7 ministers are also set to meet this week. US 10Y yield rose a tad by 1bps to 1.16%. Oil prices rose by 2.7% (US\$ 52/bbl) over anticipation of production cut by OPEC+. India's 10Y yield fell by 2bps (6.35%). It is trading at 6.36% today.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.8% as investors expect a rate cut by the Fed in Mar'20. EUR strengthened by 1%. INR depreciated by (-) 0.9% to its lowest since Nov'18 led by losses in domestic equity markets. However it is trading higher today while other Asian currencies are marginally lower.
- Equity:** Barring Dax and Sensex, global indices closed higher amidst hopes of a possible intervention by central banks to counter the impact of COVID-19. Dow surged by 5.1% followed by Shanghai Comp (3.1%). However, Sensex slipped in red and was dragged down by metal and oil & gas 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
10Y yields (Δ bps)						
US	1.16	1	(21)	(34)	(66)	(156)
UK	0.41	(4)	(13)	(12)	(33)	(87)
Japan	(0.12)	4	(6)	(5)	(7)	(12)
Germany	(0.62)	(2)	(14)	(19)	(34)	(78)
India	6.35	(2)	(2)	(25)	(14)	(103)
China	2.75	1	(7)	(26)	(47)	(46)
2Y yields (Δ bps)						
US	0.90	(1)	(34)	(41)	(70)	(164)
UK	0.26	(5)	(15)	(24)	(29)	(52)
Japan	(0.24)	1	(8)	(10)	(8)	(10)
Germany	(0.82)	(5)	(15)	(15)	(21)	(31)
India	5.55	(4)	(9)	(51)	21	(115)
China	1.97	0	(33)	(32)	(67)	(40)
Currencies (Δ %)						
EUR	1.1134	1.0	2.6	0.4	0.5	(1.8)
GBP	1.2754	(0.5)	(1.3)	(3.4)	(1.4)	(3.2)
JPY	108.33	(0.4)	2.2	0	0.6	3.1
AUD	0.6537	0.3	(1.0)	(2.3)	(4.1)	(7.8)
INR	72.74	(0.8)	(1.0)	(1.9)	(1.5)	(2.6)
CNY	6.9609	0.4	1.0	(0.3)	1.1	(3.8)
Equity & Other indices (Δ %)						
Dow	26,703	5.1	(4.5)	(5.5)	(3.9)	3.4
FTSE	6,655	1.1	(7.0)	(8.7)	(8.7)	(6.7)
DAX	11,858	(0.3)	(9.0)	(8.7)	(8.5)	2.3
NIKKEI	21,344	1.0	(8.7)	(8.0)	(9.3)	(2.2)
Shanghai Comp	2,971	3.1	(2.0)	(0.2)	3.3	(1.9)
SENSEX	38,144	(0.4)	(5.5)	(6.3)	(6.5)	5.8
Brent (US\$/bbl)	51.90	2.7	(7.8)	(10.8)	(14.8)	(21.0)
Gold (US\$/oz)	1,589	0.2	(4.2)	0	8.7	23.5
CRB Index	398.0	0.7	(0.3)	(1.5)	3.1	(3.7)
Rogers Agri Index	711.0	1.1	(2.0)	(3.3)	(1.9)	(5.0)
LIBOR (3M)*	1.46	(12)	(18)	(29)	(44)	(114)
INR 5Y Swap*	6.10	(6)	(24)	(58)	(29)	(92)
India FII data (US\$ mn)						
	28 Feb	27 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(313.8)	(270.9)	(1,345.7)	1.8	(1,567.1)	1,377.0
FII-Equity	(428.0)	(428.0)	(1,824.8)	414.3	1,786.9	9,176.1

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

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