

MACRO DAILY

05 March 2020

Macro developments

- India's services PMI rose to 57.5 in Feb'20 from 55.5 in Jan'20. This was led by strong demand from both domestic and international markets. With continued expansion seen in both manufacturing (slower pace) and services PMI, composite PMI inched up to 57.6 in Feb'20 (above long run average 54.6) from 56.3 in Jan'20.
- Services activity moderated globally. Eurozone services PMI was at 52.6 in Feb'20 vs 52.5 in Jan'20, due to falling export demand. The slowdown was sharper in Japan with services PMI at 47 in Feb'20 vs 50.1 in Jan'20 due to concomitant impact of sales tax hike, typhoon and COVID-19. In China as well, index was at its lowest at 26.5 in Feb'20 vs 51.8 in Jan'20 on account of extended company closures and strict travel restrictions.
- Euro Area retail sales rose by 0.6% in Jan'20 on a MoM basis vs (-) 1.1% decline in Dec'19. The improvement was led by food/drinks/tobacco (0.7% vs -1.1%), electrical goods & furniture (0.4% vs -1.4%) and automotive fuel (1.9% vs -0.1%). Within the region, apart from Germany, Eastern European countries saw most increase in sales volume.

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Markets

- Bonds:** Except US, global yields closed lower on fear of spread of COVID-19. US 10Y yield rose by 5bps to 1.05%, supported by better than expected service sector activity. Oil prices fell by (-) 1.4% (US\$ 51/bbl) on muted demand outlook. India's 10Y yield fell the most by 12bps (6.23%) as Fed's response fuelled rate cut hopes by RBI. It is trading flat today.
- Currency:** Barring EUR and JPY, other global currencies closed higher. DXY rose by 0.2% after positive macro data (private payrolls and services PMI). GBP rose by 0.5% as new BoE Chair hinted at coordinated policy support to counter the effect of COVID-19. INR is trading near a 17-month low today, while other Asian currencies are trading mixed.
- Equity:** Apart from Sensex, global indices closed higher after Fed reduced rates and investors anticipated other central banks to follow suit. Dow surged by 4.5% after US House of Representatives agreed on US\$ 8.3bn stimulus to counter COVID-19. Sensex slipped by (-) 0.6% and was dragged down by banking and real estate 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 | 1.05 | 5 | (28) | (48) | (72) | (164) |
| UK | 0.37 | (2) | (14) | (14) | (37) | (86) |
| Japan | (0.13) | (2) | (4) | (7) | (9) | (12) |
| Germany | (0.64) | (1) | (13) | (20) | (32) | (77) |
| India | 6.23 | (12) | (12) | (28) | (24) | (116) |
| China | 2.69 | (8) | (11) | (18) | (51) | (51) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.69 | (1) | (47) | (66) | (88) | (182) |
| UK | 0.20 | (3) | (16) | (27) | (38) | (55) |
| Japan | (0.26) | (3) | (7) | (12) | (11) | (12) |
| Germany | (0.84) | (3) | (14) | (17) | (21) | (32) |
| India | 5.38 | (17) | (22) | (64) | 1 | (132) |
| China | 1.97 | 0 | (33) | (32) | (64) | (46) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1136 | (0.3) | 2.3 | 0.7 | 0.5 | (1.5) |
| GBP | 1.2872 | 0.5 | (0.3) | (0.9) | (1.8) | (2.3) |
| JPY | 107.53 | (0.4) | 2.6 | 1.1 | 1.2 | 3.8 |
| AUD | 0.6627 | 0.7 | 1.3 | (1.0) | (3.2) | (5.8) |
| INR | 73.23 | 0.1 | (2.2) | (2.6) | (2.4) | (4.2) |
| CNY | 6.9245 | 0.6 | 1.4 | 1.4 | 1.8 | (3.2) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,091 | 4.5 | 0.5 | (4.6) | (2.0) | 5.5 |
| FTSE | 6,816 | 1.4 | (3.2) | (7.0) | (5.2) | (5.3) |
| DAX | 12,128 | 1.2 | (5.1) | (7.0) | (7.7) | 4.7 |
| NIKKEI | 21,100 | 0.1 | (5.9) | (8.1) | (8.8) | (2.3) |
| Shanghai Comp | 3,012 | 0.6 | 0.8 | 9.7 | 4.6 | (2.9) |
| SENSEX | 38,409 | (0.6) | (3.7) | (3.7) | (6.0) | 4.8 |
| Brent (US\$/bbl) | 51.13 | (1.4) | (4.3) | (6.1) | (18.8) | (22.5) |
| Gold (US\$/oz) | 1,637 | (0.2) | (0.2) | 3.8 | 11.0 | 27.3 |
| CRB Index | 399.5 | 0.1 | 0.4 | (1.0) | 3.3 | (3.3) |
| Rogers Agri Index | 713.5 | (0.1) | (1.0) | (2.5) | (1.3) | (4.6) |
| LIBOR (3M)* | 1.31 | 6 | (30) | (43) | (57) | (128) |
| INR 5Y Swap* | 5.80 | (25) | (43) | (80) | (51) | (123) |
| India FII data (US\$ mn) | | | | | | |
| | 3 Mar | 2 Mar | WTD | MTD | CYTD | FYTD |
| FII-Debt | (217.6) | (274.5) | (492.1) | (492.1) | (2,059.2) | 884.9 |
| FII-Equity | (319.6) | (41.6) | (361.2) | (361.2) | 1,425.7 | 8,814.9 |

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

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