

MACRO DAILY

01 June 2020

Macro developments

- Led by nationwide lockdown to curtail the impact of COVID-19 pandemic, India's infrastructure index contracted to a record low of 38.1% in Apr'20 from a decline of 9% in Mar'20. While there was a broad-based drop across sectors, both cement and steel sector saw the sharpest decline by 86% (25.1% decline in Mar'20) and 84% (24.1% decline in Mar'20) respectively in Apr'20.
- China's official manufacturing PMI eased marginally to 50.6 in May'20 versus 50.8 in Apr'20. The drag was led by sub-index for production, which eased to 53.2 from 53.7 in Apr'20. New export orders index also remained at historic low of 35.3. However, domestic orders increased, pushing the overall new orders index up by 0.7 points to 50.9. In addition, the non-manufacturing index rose to 53.6 in May'20 from 53.2 in Apr'20.
- According to revised estimates, France's GDP declined by 5.3% in Q1CY20 versus 5.8% decline estimated earlier. This was largely due to upward revisions to household consumption (+0.3%) and total GFCF (+0.1%). However, prints continue to remain dismal with decline of 5.6% and 10.5% respectively in Q1. Export growth too remained lower at 6.1%.

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Markets

- **Bonds:** Global yields closed mixed as tensions escalated between US and China. US 10Y yield fell by 4bps (0.65%) due to safe haven demand. Crude prices rose by 0.1% (US\$ 35/bbl) on hopes of revival in demand. India's 10Y yield rose by 2bps (6.01%) amidst fiscal concerns. It is trading higher at 6.04% today.
- **Currency:** Except JPY, other global currencies closed higher on the back of improved risk sentiment. DXY closed flat. While AUD rose by 0.5%, EUR too gained 0.2%. INR rose by 0.2% on the back of FII inflows. It is trading higher today in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp and Sensex, other global indices ended lower led by escalated tensions between US and China. FTSE (2.3%) dropped the most followed by Dax (1.6%). Sensex (0.7%) on the other hand ended in green with real estate stocks advancing the most. It was further supported by DII inflow of RS 9.7bn. 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	0.65	(4)	(1)	4	(50)	(147)
UK	0.18	(3)	1	(10)	(26)	(70)
Japan	0.01	0	1	4	16	10
Germany	(0.45)	(3)	4	2	16	(25)
India	6.01	2	5	(12)	(36)	(102)
China	2.69	0	11	19	(4)	(60)
2Y yields (Δ bps)						
US	0.16	(1)	(1)	(5)	(75)	(176)
UK	(0.04)	(2)	1	(10)	(35)	(64)
Japan	(0.15)	0	2	2	10	2
Germany	(0.66)	(3)	2	3	11	0
India	4.39	(2)	(3)	(13)	(120)	(205)
China	1.56	(2)	20	42	(41)	(97)
Currencies (Δ %)						
EUR	1.1101	0.2	1.8	2.6	0.7	(0.6)
GBP	1.2343	0.2	1.4	(0.7)	(3.7)	(2.3)
JPY	107.83	(0.2)	(0.2)	(0.9)	0.1	0.4
AUD	0.6667	0.5	2.0	2.7	2.3	(3.9)
INR	75.62	0.2	0.5	0.7	(4.8)	(8.5)
CNY	7.1372	0.1	0	(0.8)	(2.1)	(3.4)
Equity & Other indices (Δ %)						
Dow	25,383	(0.1)	3.8	5.3	(0.1)	2.3
FTSE	6,077	(2.3)	1.4	2.0	(7.7)	(15.2)
DAX	11,587	(1.6)	4.6	7.3	(2.6)	(1.2)
NIKKEI	21,878	(0.2)	7.3	10.7	3.5	6.2
Shanghai Comp	2,852	0.2	1.4	1.5	(1.0)	(1.6)
SENSEX	32,424	0.7	5.7	1.0	(15.3)	(18.4)
Brent (US\$/bbl)	35.33	0.1	0.6	72.7	(30.1)	(45.2)
Gold (US\$/oz)	1,730	0.7	(0.3)	1.3	9.1	32.5
CRB Index	367.1	0.3	0.4	4.6	(7.1)	(11.7)
Rogers Agri Index	669.3	0	1.2	4.3	(4.8)	(11.0)
LIBOR (3M)*	0.35	(1)	(2)	(41)	(111)	(215)
INR 5Y Swap*	5.13	0	0	(9)	(102)	(152)
India FII data (US\$ mn)						
	28 May	27 May	WTD	MTD	CYTD	FYTD
FII-Debt	(51.7)	(324.4)	(361.4)	(2,730.8)	(14,074.6)	(4,315.1)
FII-Equity	263.5	(22.3)	873.5	1,559.7	(5,073.8)	1,529.2

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

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