

MACRO DAILY

22 July 2020

Macro developments

- According to news reports, number of registered companies in the country stands at 2mn as of 30 Jun 2020. Registration of companies have jumped sharply by 126.5% in Jun'20 (10,954 companies) on a MoM basis. Amongst these, large number of companies have been engaged in business services (3,399), followed by manufacturing (2,360), trading (1,499), community services (1,411) and construction (644).
- Japan's manufacturing and services activity showed slight improvement, albeit remaining below the 50 mark. As per flash PMI print, manufacturing output index rose to 41.2 in Jul'20 from 32.3 in Jun'20. Services activity index rose slightly to 45.2 in Jul'20 from 45 in Jun'20. Employment scenario remained bleak.
- Minutes of RBA's latest meeting revealed that the members agreed on the current level of monetary and fiscal push (especially labour market focused) being provided. Target for 3Y yield and accommodative stance will be maintained as long as necessary, along with the possibility of scaling up its bonds purchase program, if required. However, uncertainty around global growth, slower revival of domestic economy and pullback in non-essential investment spending remain key concerns for the members.

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Markets

- Bonds:** Global yields closed mixed as fears escalated amidst US President claiming that the COVID-19 pandemic is likely to worsen. US 10Y yield fell by 1bps (0.6%) on expectation of fiscal stimulus. Crude prices rose by 2.4% (US\$ 44/bbl) supported by EU stimulus. India's 10Y yield rose by 3bps (5.83%) amidst fiscal concerns. It is trading flat today.
- Currency:** Except CNY (flat), other global currencies closed higher. EUR rose by 0.7% to its highest since Jan'19 after EU countries agreed on a mega stimulus deal for the region. DXY fell by 0.7% as risk-sentiment improved led by hopes of discovery of COVID-19 vaccine. INR rose by 0.2%. It is trading higher today in line with its Asian peers.
- Equity:** Global indices ended higher as EU leaders reached a consensus over stimulus plan. Sensex (1.4%) continued its upward momentum and surged amongst other indices. Oil & gas and banking stocks advanced the most. However, it is trading lower 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	0.60	(1)	(2)	(9)	3	(148)
UK	0.14	(2)	(1)	(10)	(16)	(56)
Japan	0.03	(1)	(1)	1	0	17
Germany	(0.46)	0	(1)	(5)	2	(11)
India	5.83	3	0	(2)	(38)	(63)
China	2.92	(2)	(9)	4	35	(24)
2Y yields (Δ bps)						
US	0.14	(1)	(2)	(4)	(6)	(170)
UK	(0.11)	(1)	0	(7)	(17)	(60)
Japan	(0.13)	(1)	0	1	(1)	7
Germany	(0.67)	0	(1)	0	1	10
India	4.19	1	1	(16)	(51)	(189)
China	2.06	(7)	0	(11)	87	(49)
Currencies (Δ %)						
EUR	1.1527	0.7	1.1	3.1	6.2	3.4
GBP	1.2731	0.6	1.4	3.1	3.6	2.3
JPY	106.80	0.4	0.4	0.1	0.9	1.3
AUD	0.7128	1.6	2.2	4.3	13.5	1.8
INR	74.75	0.2	0.9	1.9	2.7	(8.4)
CNY	6.9811	0	0.4	1.3	1.6	(1.5)
Equity & Other indices (Δ %)						
Dow	26,840	0.6	0.7	3.7	16.6	(1.9)
FTSE	6,270	0.1	1.5	(0.4)	11.1	(17.0)
DAX	13,172	1.0	3.7	6.8	28.5	5.5
NIKKEI	22,884	0.7	1.3	1.8	18.7	5.8
Shanghai Comp	3,321	0.2	(2.7)	11.9	17.5	14.5
SENSEX	37,930	1.4	5.3	9.2	23.8	(0.1)
Brent (US\$/bbl)	44.32	2.4	3.3	5.0	129.3	(30.6)
Gold (US\$/oz)	1,842	1.3	1.8	5.6	9.2	29.9
CRB Index	367.6	0.2	1.0	1.2	5.3	(9.8)
Rogers Agri Index	691.5	0.2	1.4	2.6	8.2	(5.9)
LIBOR (3M)*	0.26	(1)	(1)	(5)	(79)	(202)
INR 5Y Swap*	5.32	4	6	16	0	(114)
India FII data (US\$ mn)						
	20 Jul	17 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	49.1	8.7	49.1	86.4	(14,195.6)	(4,436.1)
FII-Equity	219.8	106.8	219.8	(217.7)	(2,659.2)	3,943.8

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

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