

MACRO DAILY

24 June 2020

Macro developments

- As per World Bank data, India has retained its position as the third largest economy in purchasing power parity (PPP) terms. It accounts for 6.7% or US\$ 8.1tn of world's US\$ 120tn economy, after China (16.4%) and US (16.3%). The calculation is based on PPP of Rs/US\$ at 20.65 in 2017 (reference year) versus 15.55 in 2011 and exchange rate at 65.12 against 46.67 in 2011.
- US new home sales surprised positively and jumped by 16.6% in May'20 to 0.67mn units. It was higher than anticipated (0.64mn) and was up from 5.2% increase in Apr'20. The rebound was led by record-low mortgage rates and relatively higher demand for new properties post the removal of lockdown restriction in view of COVID-19 pandemic.
- Flash PMIs indicate that manufacturing activity has seen marked improvement in Jun'20 as lockdown restrictions were lifted. UK and France have reported expansion in activity with indices at 50.1 and 52.1 respectively. Eurozone PMI came in at 46.9 versus 39.4 in May'20, while US PMI was at 49.6 versus 39.8. However, activity in Japan remains weak with index reading worsening to 28.9 from 30.3 in May'20.

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Markets

- Bonds:** Global yields closed mixed as White House health advisor warned of surge in cases in the US in the coming months. BoJ also expressed concerns about the prolonged impact of COVID-19. US 10Y yield closed flat at 0.71%. Crude prices fell by 1% (US\$ 43/bbl). India's 10Y yield rose by 2bps (6.03%). It is trading tad higher at 6.04% today.
- Currency:** Risk sentiment improved as flash estimated of global manufacturing and services PMI showed an uptick. As a result, major global currencies closed higher against the dollar. DXY fell by 0.4%. INR appreciated by 0.5% on the back of FII inflows in equity. It is trading further higher today in line with other Asian currencies.
- Equity:** Global indices ended higher with macro data prints signalling a possible recovery. Dax (2.1%) surged the most followed by Sensex (1.5%) and FTSE (1.2%). Gains in domestic market were led by stronger global cues and de-escalation of border tensions between India and China. Sensex 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	0.71	0	(4)	5	(13)	(127)
UK	0.21	2	0	4	(27)	(58)
Japan	0.01	0	(1)	1	(3)	17
Germany	(0.41)	3	2	8	(9)	(8)
India	6.03	2	0	28	(27)	(85)
China	2.91	(1)	6	33	28	(33)
2Y yields (Δ bps)						
US	0.19	(1)	(1)	2	(19)	(155)
UK	(0.06)	1	(2)	(1)	(19)	(64)
Japan	(0.13)	0	1	4	8	10
Germany	(0.66)	3	(1)	2	(3)	8
India	4.33	0	(6)	(9)	(130)	(191)
China	2.23	0	23	88	41	(40)
Currencies (Δ %)						
EUR	1.1308	0.4	0.4	3.7	4.8	(0.5)
GBP	1.2520	0.4	(0.4)	2.9	6.4	(1.3)
JPY	106.52	0.4	0.7	1.0	4.2	0.6
AUD	0.6930	0.3	0.6	6.0	16.3	(0.4)
INR	75.65	0.5	0.7	0.4	0.6	(9.1)
CNY	7.0581	0.1	0.4	1.1	0.1	(2.6)
Equity & Other indices (Δ %)						
Dow	26,156	0.5	(0.5)	6.9	26.3	(1.5)
FTSE	6,320	1.2	1.2	5.5	16.1	(14.9)
DAX	12,524	2.1	1.7	13.1	29.1	2.4
NIKKEI	22,549	0.5	(0.1)	10.6	24.6	6.4
Shanghai Comp	2,971	0.2	1.3	5.6	9.1	(0.4)
SENSEX	35,430	1.5	5.4	15.5	32.8	(10.2)
Brent (US\$/bbl)	42.63	(1.0)	4.1	21.3	57.0	(34.5)
Gold (US\$/oz)	1,768	0.8	2.4	1.9	8.3	24.2
CRB Index	362.6	(0.1)	(0.1)	(0.8)	(3.0)	(11.8)
Rogers Agri Index	672.4	(0.1)	0.1	1.7	0.1	(11.7)
LIBOR (3M)*	0.30	(1)	(1)	(7)	(94)	(201)
INR 5Y Swap*	5.26	8	8	13	(99)	(136)
India FII data (US\$ mn)						
	22 Jun	19 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	24.1	62.4	24.1	(462.3)	(14,517.6)	(4,758.1)
FII-Equity	56.6	162.3	56.6	2,722.1	(2,192.5)	4,410.5

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

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