

MACRO DAILY

29 May 2020

Macro developments

- FDI inflows into India rose by 18% to US\$ 73.5bn in FY20 versus US\$ 62bn in FY19. Sectorwise, services sector remained the highest recipient of FDI inflows at US\$ 7.9bn followed by computer hardware and software services at US\$ 7.7bn. Further, Singapore was the biggest source of FDI inflows into India at US\$ 14.7bn followed by Mauritius at US\$ 8.2bn.
- Euro Area economic sentiment index rose to 67.5 points in May'20 from 64.9 in Apr'20, led by uptick in industry (+5 points) and consumer (+3.2 points) confidence. Industry expects pick up in production and export orders in the coming months, while consumers are optimistic about their financial conditions and future purchases. Services confidence on the other hand declined by 5 points as it expects at a very slow recovery.
- US GDP for Q1CY20 contracted further and was revised downwards to 5% (previously 4.8%), this was the second sharpest decline since the 8.4% drop seen in Q4 during CY08 crisis. The drop in Q1 was attributed to weaker investments. It is expected that while growth in Q2 will remain subdued; possible revival may be seen in Q3CY20. Separately, US jobless claims was at 2.1 mn from 2.4 mn claims filed last week.

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Markets

- **Bonds:** Global yields closed mixed amidst US-China trade dispute and approval of China's controversial national security law for Hong Kong. US 10Y yield rose by 1bps (0.69%). Crude prices rose by 1.6% (US\$ 35/bbl) as lockdown restrictions were eased globally. India's 10Y yield rose by 2bps (5.99%). It is trading flat today.
- **Currency:** Except INR, other global currencies closed higher. Risk sentiment improved on the back of EU's stimulus program and reopening of global economies. As a result, DXY edged down by 0.7%. EUR and GBP rose by 0.6% and 0.5% respectively. INR depreciated by 0.1%. It is trading higher today in line with other Asian currencies.
- **Equity:** Barring Dow, other global indices ended higher led by the EU stimulus plan (€ 750bn). Nikkei (2.3%) surged the most. Sensex (1.9%) too ended higher with hopes of further easing down of restrictions. Capital goods 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	0.69	1	2	3	(57)	(152)
UK	0.21	2	4	(9)	(26)	(69)
Japan	0.00	0	0	4	11	8
Germany	(0.42)	(1)	8	3	12	(24)
India	5.99	2	(4)	(16)	(39)	(115)
China	2.69	(3)	3	18	(9)	(60)
2Y yields (Δ bps)						
US	0.17	(1)	0	(5)	(89)	(189)
UK	(0.02)	0	3	(9)	(35)	(64)
Japan	(0.15)	0	0	0	5	2
Germany	(0.63)	0	6	3	10	1
India	4.41	1	(10)	(14)	(121)	(209)
China	1.58	(2)	20	45	(39)	(97)
Currencies (Δ %)						
EUR	1.1077	0.6	1.2	2.3	0.7	(0.5)
GBP	1.2321	0.5	0.8	(0.9)	(4.4)	(2.3)
JPY	107.65	0.1	0	(0.4)	1.8	1.8
AUD	0.6637	0.2	1.1	2.7	1.0	(4.0)
INR	75.76	(0.1)	(0.2)	0.6	(5.9)	(8.4)
CNY	7.1455	0.3	(0.4)	(0.8)	(2.0)	(3.5)
Equity & Other indices (Δ %)						
Dow	25,401	(0.6)	3.8	5.2	(1.4)	0.9
FTSE	6,219	1.2	3.4	6.4	(8.5)	(13.8)
DAX	11,781	1.1	6.5	10.5	(4.7)	(1.0)
NIKKEI	21,916	2.3	6.6	10.8	(0.1)	4.6
Shanghai Comp	2,846	0.3	(0.8)	1.1	(4.9)	(2.1)
SENSEX	32,201	1.9	4.1	1.4	(19.0)	(19.2)
Brent (US\$/bbl)	35.29	1.6	(2.1)	76.5	(32.4)	(47.2)
Gold (US\$/oz)	1,718	0.5	(0.5)	0.3	4.5	33.3
CRB Index	366.2	0.6	(0.5)	5.4	(7.5)	(12.3)
Rogers Agri Index	669.6	0.3	0.7	5.0	(5.6)	(11.8)
LIBOR (3M)*	0.36	(1)	0	(48)	(122)	(216)
INR 5Y Swap*	5.13	0	(6)	(9)	(110)	(162)
India FII data (US\$ mn)						
	27 May	26 May	WTD	MTD	CYTD	FYTD
FII-Debt	(324.4)	14.7	(309.7)	(2,679.2)	(14,022.9)	(4,263.4)
FII-Equity	(22.3)	632.2	610.0	1,296.2	(5,337.4)	1,265.6

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

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