

MACRO DAILY

02 July 2020

Macro developments

- Latest GST collections and manufacturing PMI indicate that economy is on the path of recovery in May/June'20. GST collections rose to Rs 909bn in May'20 from Rs 495bn in Apr'20. CGST and Cess collections increased the most on MoM basis. Manufacturing PMI too improved to 47.2 in Jun'20 from 30.8 in May'20 as most states eased lockdown restrictions. However, demand remains muted, in particular export orders.
- Fed minutes pointed that highly accommodative monetary policy would persist in the wake of downside risks to growth. FOMC members also discussed about strengthening its forward guidance on policy and asset purchases. It further expressed preference for policy tied to outcomes, preferably inflation rather than unemployment. In a separate release, US ISM manufacturing index rose to 52.6 (est.: 49.5) against 43.1 in May'20.
- Germany's retail sales rose by 13.9% in May'20 on a MoM basis versus a decline of 6.5% in Apr'20 as lockdown restrictions were lifted. This was higher than estimates of a 3.5% increase. However, labour market remained under stress as separate data showed that unemployment rate rose to 6.2% in Jun'20 from 6.1% in May'20.

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Markets

- **Bonds:** Global yields closed mixed due to surge in cases in the US and protests in Hong Kong. US 10Y yield rose by 2bps (0.68%) supported by buoyant manufacturing data. Crude prices rose by 2.1% (US\$ 42/bbl) amidst drawdown in US inventory. India's 10Y yield fell by 5bps (5.84%) on anticipation of more measures from RBI. It is trading at 5.82% today.
- **Currency:** Except INR and CNY, other global currencies closed higher. Positive macro data (US ISM manufacturing and Germany retail sales) raised hopes of economic recovery. DXY fell by 0.2%. INR fell by 0.1%. However, it is trading higher today in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp and Sensex, other global indices ended lower. Dow declined by 0.3% as some states halted their reopening plans on resurgence of COVID-19 cases. However, Sensex (1.4%) gained with banking stocks advancing the most. 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	0.68	2	0	2	9	(127)
UK	0.21	4	2	3	(10)	(48)
Japan	0.05	2	3	4	3	20
Germany	(0.40)	6	5	5	6	(1)
India	5.84	(5)	(8)	8	(30)	(99)
China	2.85	0	(2)	16	30	(31)
2Y yields (Δ bps)						
US	0.16	1	(3)	0	(5)	(160)
UK	(0.07)	2	0	(3)	(20)	(57)
Japan	(0.13)	0	1	2	(2)	9
Germany	(0.66)	3	2	0	(2)	10
India	4.19	(2)	(15)	(20)	(108)	(205)
China	2.09	(2)	(9)	53	44	(48)
Currencies (Δ %)						
EUR	1.1251	0.2	0	1.4	2.6	(0.2)
GBP	1.2475	0.6	0.5	1.1	0.8	(0.8)
JPY	107.47	0.4	(0.4)	0.3	(0.3)	0.3
AUD	0.6915	0.2	0.7	3.7	13.9	(1.6)
INR	75.60	(0.1)	0.2	0	(0.1)	(9.7)
CNY	7.0708	(0.1)	0.1	0.9	0.4	(2.8)
Equity & Other indices (Δ %)						
Dow	25,735	(0.3)	1.1	1.4	22.9	(4.6)
FTSE	6,158	(0.2)	0.6	1.3	12.9	(19.1)
DAX	12,261	(0.4)	1.4	5.8	28.5	(2.8)
NIKKEI	22,122	(0.7)	(1.8)	1.1	22.5	2.2
Shanghai Comp	3,026	1.4	1.6	6.1	10.7	0.4
SENSEX	35,414	1.4	1.6	9.2	25.3	(11.1)
Brent (US\$/bbl)	42.03	2.1	4.3	19.0	69.9	(34.1)
Gold (US\$/oz)	1,770	(0.6)	0.5	2.3	11.2	24.8
CRB Index	362.8	0.7	0.5	(1.2)	(0.6)	(10.5)
Rogers Agri Index	684.8	1.4	2.6	2.3	6.5	(8.7)
LIBOR (3M)*	0.30	1	2	(4)	(113)	(199)
INR 5Y Swap*	5.31	3	3	18	(54)	(139)
India FII data (US\$ mn)						
	30 Jun	29 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(3.1)	129.1	126.0	(226.7)	(14,282.0)	(4,522.5)
FII-Equity	(13.8)	(126.9)	(271.0)	2,473.1	(2,441.5)	4,161.5

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

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