

## MACRO DAILY

31 July 2020

### Macro developments

- In order to boost domestic manufacturing and reduce the dependency on inbound shipments of non-essential items in India, government has imposed restrictions on imports of colour televisions. This is expected to result in backward integration with investments in better assembly lines and component production. Annual turnover of TV market in India is ~ Rs 250bn with ~Rs 70bn being imported and China having over 60-65% share in these imports.
- US GDP contracted by 32.9% in Q2CY20, worst ever contraction since the Great Depression and against 5% drop in Q1CY20. This was led by 34.6% decline in personal consumption expenditure against 6.9% decline in Q1. Investment demand also declined sharply by 49% from 9% drop in Q1. Exports contracted by 64% against 9.5% fall in Q1.
- China's manufacturing PMI improved marginally to 51.1 in Jul'20 from 50.9 in Jun'20, indicating steady growth in activity. This was driven by higher new orders (51.5), particularly supported by domestic orders. On the other hand, non-manufacturing eased to 54.2 in Jul'20 from 54.4 in Jun'20, led by services (53.1 versus 53.4).

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### Markets

- Bonds:** Global yields closed broadly lower as risk appetite was dented due to sharp contraction in US GDP. Thus, its 10Y yield fell by 3bps (0.55%). Continued increase in US jobless claims for two straight weeks also impacted market sentiments. Crude prices fell by 1.9% (US\$ 43/bbl). India's 10Y yield fell by 1bps (5.83%). It is trading at 5.82% today.
- Currency:** Except CNY and INR, other global currencies closed higher against the dollar. DXY fell by 0.5% as US GDP fell to its lowest since the Great Depression. GBP rose by 0.8% to a 4-month high. INR depreciated marginally by 0.1%. However it is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended lower led by steep decline in US GDP in Q2CY20. Dax (3.5%) declined the most followed by FTSE (2.3%). Sensex (0.9%) too ended in red on the last day of the expiry of F&O contract for the July series. However, it is trading higher today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.55	(3)	(3)	(8)	(9)	(135)
UK	0.09	(3)	(4)	(8)	(14)	(51)
Japan	0.02	0	0	0	5	15
Germany	(0.54)	(4)	(6)	(7)	4	(9)
India	5.83	(1)	2	(8)	(28)	(60)
China	2.94	(3)	2	8	42	(22)
<b>2Y yields (Δ bps)</b>						
US	0.12	(1)	(3)	(3)	(8)	(162)
UK	(0.09)	(1)	1	0	(10)	(54)
Japan	(0.13)	(1)	0	0	5	6
Germany	(0.71)	(3)	(4)	(2)	5	6
India	4.20	(2)	2	(4)	(35)	(181)
China	2.25	(1)	19	11	113	(30)
<b>Currencies (Δ %)</b>						
EUR	1.1847	0.5	2.2	5.4	8.1	6.9
GBP	1.3096	0.8	2.8	6.5	4.0	8.0
JPY	104.73	0.2	2.0	2.6	2.3	2.4
AUD	0.7195	0.1	1.4	4.8	10.5	5.8
INR	74.85	(0.1)	(0.1)	1.0	0.3	(8.4)
CNY	7.0088	(0.1)	(0.1)	1.0	0.8	(1.6)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,314	(0.9)	(1.3)	2.8	8.1	(1.0)
FTSE	5,990	(2.3)	(3.6)	(3.8)	1.5	(21.0)
DAX	12,380	(3.5)	(5.5)	1.2	14.0	1.0
NIKKEI	22,339	(0.3)	(1.8)	1.6	10.6	3.7
Shanghai Comp	3,287	(0.2)	(1.2)	11.0	14.9	13.0
SENSEX	37,736	(0.9)	(1.1)	7.9	11.9	1.9
Brent (US\$/bbl)	42.94	(1.9)	(0.9)	2.9	69.9	(29.0)
Gold (US\$/oz)	1,957	(0.7)	3.7	10.4	16.0	35.4
CRB Index	377.8	0.3	1.5	5.3	7.0	(6.0)
Rogers Agri Index	696.1	0.4	0.3	4.6	6.3	(2.2)
LIBOR (3M)*	0.26	(1)	0	(4)	(30)	(203)
INR 5Y Swap*	5.18	(3)	(8)	(10)	(4)	(142)
<b>India FII data (US\$ mn)</b>						
	<b>29 Jul</b>	<b>28 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(24.4)	(33.0)	(55.5)	(234.4)	(14,516.4)	(4,756.9)
FII-Equity	(38.9)	24.5	(9.1)	1,085.8	(1,355.7)	5,247.3

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

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