

MACRO DAILY

03 July 2020

Macro developments

- As per news reports, under government's Atmanirbhar package, banks have sanctioned Rs 629bn to over 7mn Kisan Credit Card (KCC) holders as on Jun'20. This is part of the Rs 2tn concessional credit through KCC. Government has already disbursed Rs 246bn to cooperative banks, RRBs and MFIs under special liquidity facility by NABARD of Rs 300bn.
- Japan's services PMI surged to 45 in Jun'20 from 26.5 in May'20 indicating deceleration at a slower pace. Activity picked up as state of emergency has been lifted. However, output continues to remain below capacity and domestic demand remains muted. New business orders also remain in contraction owing to weak global demand. Future business outlook expects conditions to remain constrained.
- US jobless claims dropped for the 13th straight week to 1.43mn for the week ending 27 Jun 2020 from 1.48mn for the prior week. Non-farm payroll improved better than expected with over 4.8mn jobs added in Jun'20. Unemployment rate dropped to 11.1%. However, concerns over possible recovery in labor market arose, amidst rollback of reopening plans in some states due to resurgence in COVID-19 cases.

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Markets

- Bonds:** Except India and China, global yields closed lower amidst fear of surging cases in the US and trade tensions between US and China. Thus, US 10Y yield fell a tad by 1bps (0.67%). Crude prices rose by 2.6% (US\$ 43/bbl) as macro data showed signs of slight pickup in demand. India's 10Y yield closed flat at 5.84%. It is trading at 5.86% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% on safe-haven demand as concerns remained over growing COVID-19 cases. DXY fell by 0.2%. INR rose sharply by 0.8% to close at a near 3-month high tracking gains in local equity markets. It is trading further higher today in line with other Asian currencies.
- Equity:** Global indices ended higher led by hopes of COVID-19 vaccine. Dax (2.8%) surged the most followed by Shanghai Comp (2.1%). Sensex (1.2%) too gained with auto stocks advancing the most and was supported by DII inflow of Rs 9bn. 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	0.67	(1)	(2)	1	7	(128)
UK	0.19	(3)	3	(5)	(15)	(49)
Japan	0.04	(1)	2	2	4	19
Germany	(0.43)	(3)	4	(3)	1	(3)
India	5.84	0	(5)	6	(46)	(91)
China	2.86	1	(1)	13	26	(30)
2Y yields (Δ bps)						
US	0.15	(1)	(3)	0	(7)	(161)
UK	(0.09)	(2)	(2)	(9)	(22)	(60)
Japan	(0.12)	1	1	1	(1)	10
Germany	(0.68)	(2)	1	(3)	(3)	8
India	4.17	(2)	(14)	(27)	(110)	(206)
China	2.09	0	(9)	47	46	(47)
Currencies (Δ %)						
EUR	1.1239	(0.1)	0.2	0.9	3.5	(0.4)
GBP	1.2468	(0.1)	0.4	(0.2)	0.6	(0.9)
JPY	107.50	0	(0.3)	0.1	0.4	0.3
AUD	0.6924	0.1	0.5	1.9	14.2	(1.4)
INR	75.01	0.8	0.9	0.7	1.5	(9.5)
CNY	7.0670	0.1	0.2	0.9	0.3	(2.8)
Equity & Other indices (Δ %)						
Dow	25,827	0.4	0.3	1.4	20.6	(4.2)
FTSE	6,240	1.3	1.5	1.2	13.9	(17.9)
DAX	12,608	2.8	3.5	4.9	31.7	(0.2)
NIKKEI	22,146	0.1	(0.5)	0.4	24.3	2.0
Shanghai Comp	3,091	2.1	3.7	6.0	11.1	2.8
SENSEX	35,844	1.2	2.9	7.6	29.9	(10.2)
Brent (US\$/bbl)	43.14	2.6	5.1	12.6	44.1	(31.8)
Gold (US\$/oz)	1,775	0.3	0.7	2.1	10.0	25.4
CRB Index	360.6	(0.6)	(0.4)	(2.0)	(0.6)	(11.1)
Rogers Agri Index	681.7	(0.4)	2.4	1.7	6.4	(9.1)
LIBOR (3M)*	0.30	0	(1)	(4)	(107)	(200)
INR 5Y Swap*	5.30	(1)	5	15	(93)	(141)
India FII data (US\$ mn)						
	1 Jul	30 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	48.0	(3.1)	174.0	(178.7)	(14,234.0)	(4,474.5)
FII-Equity	(223.0)	(257.2)	(493.9)	2,250.1	(2,664.4)	3,938.5

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

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