

MACRO DAILY

03 June 2020

Macro developments

- In an effort to support Make in India initiative, India has launched US\$ 6.65bn plan to boost electronic manufacturing. Government will be offering production-linked incentive (PLI) involving cash worth of 4-6% of additional sales made locally over five years, with 2019-2020 as the base year. This in turn would support the ailing manufacturing sector, which has been a major drag down in FY20 (0% against 5.7% in FY19).
- Japan's services PMI rose to 26.5 in May'20 from a record low of 21.5 in Apr'20, indicating that the sector remains in stress, despite marginal improvement. Survey reports that store closures, cancelled events and weak sales contributed most to the stress. Job losses were at the highest since Feb'10. The 12-month ahead outlook also remains negative on the back of weak domestic and export orders.
- Reserve Bank of Australia left interest rates unchanged at an all-time low of 0.25%. Further, bank is ready to increase government bond purchase to ensure that 3Y bond yield remains at 0.25%. While Australia's GDP contracted by 0.3% in Q1CY20, bank remains optimistic on the growth trajectory as infections in the country have largely remained in check.

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed amidst mass unrest in US and trade tensions between US-China. US 10Y yield rose by 2bps (0.68%). Crude prices rose by 1.5% (US\$ 39/bbl) ahead of OPEC+ meeting. India's 10Y yield fell by 4bps (6%) as more stimulus is expected from RBI. It is trading flat today.
- Currency:** Except JPY, other global currencies closed lower. Easing lockdown restrictions in major countries led to an improved risk sentiment. AUD rose the most by 0.9% after RBA left policy rate unchanged. INR also rose by 0.2% on the back of FII inflows in the equity segment. It is trading further higher today in line with other Asian currencies.
- Equity:** Bolstered by slight global recovery and phased reopening of economies, global indices ended higher. Dax (3.7%) surged the most followed by Sensex (1.6%). The domestic market was supported by DII inflow of Rs 4.4bn. 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	(2)	5	(50)	(141)
UK	0.22	(1)	1	(2)	(18)	(63)
Japan	0.01	(1)	0	3	13	11
Germany	(0.41)	(1)	2	18	22	(20)
India	6.00	(4)	3	(7)	(31)	(94)
China	2.78	5	8	22	(1)	(53)
2Y yields (Δ bps)						
US	0.17	3	0	(3)	(75)	(168)
UK	(0.04)	(3)	(2)	(5)	(27)	(58)
Japan	(0.17)	(5)	(2)	2	12	6
Germany	(0.68)	(3)	(4)	11	17	(1)
India	4.41	(3)	(2)	(12)	(112)	(196)
China	1.62	0	10	49	(35)	(91)
Currencies (Δ %)						
EUR	1.1184	0.4	1.8	1.4	0	(0.9)
GBP	1.2560	0.5	1.8	(0.1)	(2.1)	(1.4)
JPY	108.38	(0.7)	(0.8)	(0.6)	0.7	0.4
AUD	0.6857	0.9	3.1	5.9	4.0	(2.6)
INR	75.36	0.2	0.4	(0.6)	(3.9)	(9.1)
CNY	7.1053	0.3	0.4	(0.9)	(2.4)	(3.2)
Equity & Other indices (Δ %)						
Dow	25,743	1.1	3.0	7.4	(4.6)	2.6
FTSE	6,220	0.9	2.5	7.0	(7.3)	(14.2)
DAX	12,021	3.7	4.5	6.7	(2.3)	(1.7)
NIKKEI	22,326	1.2	5.0	12.5	3.4	8.1
Shanghai Comp	2,921	0.2	2.6	1.9	(1.9)	0.9
SENSEX	33,826	1.6	10.5	(1.2)	(12.7)	(17.3)
Brent (US\$/bbl)	38.89	1.5	7.5	44.9	(26.2)	(37.5)
Gold (US\$/oz)	1,740	0.5	0.4	2.3	9.4	31.3
CRB Index	367.8	0.2	0.6	4.1	(7.6)	(11.6)
Rogers Agri Index	670.6	0.2	1.4	2.6	(5.7)	(11.2)
LIBOR (3M)*	0.34	(1)	(3)	(20)	(91)	(213)
INR 5Y Swap*	5.15	2	2	(7)	(94)	(141)
India FII data (US\$ mn)						
	1 Jun	29 May	WTD	MTD	CYTD	FYTD
FII-Debt	22.9	19.3	22.9	22.9	(14,032.4)	(4,272.9)
FII-Equity	918.5	263.5	918.5	918.5	(3,996.0)	2,607.0

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

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com