

MACRO DAILY

04 August 2020

Macro developments

- India's manufacturing PMI contracted for the 4th straight month to 46 in Jul'20 from 47.2 in Jun'20. The downturn was on the back of subdued demand as localised lockdown continued across states. This was further exacerbated by lower demand from international markets thereby deteriorating sales trend. However, the 12-month business outlook improved as manufacturers remained optimistic about future activity.
- Manufacturing activity improved globally. In the Eurozone, PMI rose to 51.8 in Jul'20 from 47.4 in Jun'20, led by increase in new orders. In China as well, it rose to 52.8 in Jul'20 from 51.2 in Jun'20. In Japan, though it remained below the 50-mark yet improvement was visible as it rose to 45.2 from 40.1 in Jun'20. However, employment scenario remained bleak.
- Japan's final estimates for Q2CY20 GDP remain unchanged at contraction of 0.6% versus 0.7% decline estimated on QoQ basis. The only downward revision was seen in private non-residential investment (1.7% versus 1.9% earlier). As a result, GFCF growth was revised down to 0.4% from 0.6% earlier. Contraction in public spending remained unchanged at 0.6% and private consumption at 0.8%.

Dipanwita Mazumdar | Sameer Narang
 chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed as WHO warned of a long road to recovery. Apart from this, monetary and fiscal stimulus are also anticipated. US 10Y yield rose by 3bps (0.55%) led by improved manufacturing data. Crude prices rose by 2% (US\$ 44/bbl). India's 10Y yield closed flat at 5.84%. It is trading at 5.85% today.
- Currency:** Global currencies closed lower against the dollar and DXY rose by 0.2%. AUD and INR depreciated the most by 0.3%. While weakness in AUD was ahead of RBA's policy decision, INR fell on the back of FII outflows. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Sensex, other global indices ended higher led by improvement in global manufacturing PMI print. Amongst other indices, Dax (2.7%) gained the most followed by FTSE (2.3%) and Nikkei (2.2%). Sensex (1.8%) ended in red and was dragged lower by banking and oil & gas stocks. However, 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	0.55	3	(6)	(12)	(8)	(115)
UK	0.10	0	(1)	(9)	(13)	(41)
Japan	0.03	1	0	0	5	22
Germany	(0.52)	0	(3)	(9)	4	(1)
India	5.84	0	(2)	(1)	(25)	(56)
China	2.95	(3)	5	5	43	(12)
2Y yields (Δ bps)						
US	0.11	0	(4)	(4)	(7)	(146)
UK	(0.07)	0	3	1	(10)	(51)
Japan	(0.12)	0	(1)	1	2	9
Germany	(0.70)	2	(3)	(1)	5	11
India	4.19	0	(4)	3	(31)	(177)
China**	2.21	(3)	(3)	15	109	(33)
Currencies (Δ %)						
EUR	1.1762	(0.1)	0.1	4.6	7.8	5.0
GBP	1.3075	(0.1)	1.5	4.7	5.1	7.7
JPY	105.9500	(0.1)	(0.6)	1.5	0.7	0.0
AUD	0.7124	(0.3)	(0.3)	2.7	10.8	5.4
INR	75.0100	(0.3)	(0.2)	(0.5)	0.9	(6.0)
CNY	6.9809	(0.1)	0.2	1.2	1.2	1.0
Equity & Other indices (Δ %)						
Dow	26,664	0.9	0.3	3.2	12.3	3.7
FTSE	6,033	2.3	(1.2)	(2.0)	4.9	(16.5)
DAX	12,647	2.7	(1.5)	0.9	20.8	8.5
NIKKEI	22,195	2.2	(2.3)	(0.5)	13.1	7.1
Shanghai Comp	3,368	1.8	5.1	6.8	17.8	19.4
SENSEX	36,940	(1.8)	(2.6)	2.5	16.5	0.7
Brent (US\$/bbl)	44.15	2.0	1.7	3.2	62.3	(26.2)
Gold (US\$/oz)	1,977	0.1	1.8	11.3	16.2	35.1
CRB Index	378.3	0.1	0.4	4.9	7.7	(5.3)
Rogers Agri Index	701.0	0.2	0.9	2.8	8.0	(1.1)
LIBOR (3M)*	0.25	0	(2)	(3)	(25)	(196)
INR 5Y Swap*	5.15	1	(6)	(13)	(11)	(141)
India FII data (US\$ mn)						
	31 Jul	30 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	82.9	(94.1)	(66.7)	(245.6)	(14,527.6)	(4,768.1)
FII-Equity	(122.4)	190.0	58.4	1,153.3	(1,288.2)	5,314.8

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | **1Y yield

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com