

MACRO DAILY

04 June 2020

Macro developments

- India's services activity still contracted as visible in the PMI print. It fell to 12.6 in May'20, slightly higher compared with unprecedented low of 5.4 in Apr'20. Business shutdown and weak demand conditions due to COVID-19 accounted for dismal service sector performance. Employment scenario also deteriorated and price pressure softened.
- Global services PMI improved to 35.2 in May'20 from 23.7 in Apr'20, as activity was seen recovering across regions with gradual reopening of the economies. Eurozone services PMI too inched up to 30.5 in May'20 from 12 in Apr'20. However, stress continues to remain in customer facing industries with new orders and employment successively declining owing to weak demand.
- US non-manufacturing PMI rose to 45.4 in May'20 from 41.8 in Apr'20. The improvement was led by higher business activity (+15 points), new orders (+9 points) and employment (+1.8 points). Sector-wise, growth was led by only agri & forestry, finance & insurance, public administration and information.

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Markets

- Bonds:** Global yields closed higher amidst improving macro prints in US, Eurozone and China. Thus, US 10Y yield rose by 9bps (0.77%). Crude prices rose by 0.1% (US\$ 39/bbl) awaiting outcome of OPEC+ meeting. India's 10Y yield rose by 3bps (6.03%) taking global cues. It is trading at 6.04% today.
- Currency:** Global currencies closed mixed. DXY fell by 0.4% to its lowest since Mar'20. Improvement in services PMI in US, EU and China boosted investor sentiments. EUR rose by 0.4% on hopes of further stimulus. INR depreciated by 0.2%. However, it is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended higher led by renewed optimism over global economic recovery with graded opening. Dax (3.9%) continued its upward momentum and gained the most followed by FTSE (2.6%) and Dow (2%). Sensex (0.8%) too ended in green led by strong global cues. 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	0.77	9	9	5	(50)	(141)
UK	0.28	6	9	(2)	(18)	(63)
Japan	0.02	2	2	3	13	11
Germany	(0.35)	6	6	18	22	(20)
India	6.03	3	6	(7)	(31)	(94)
China	2.83	5	11	22	(1)	(53)
2Y yields (Δ bps)						
US	0.19	2	1	(3)	(75)	(168)
UK	(0.02)	2	0	(5)	(27)	(58)
Japan	(0.17)	0	(3)	2	12	6
Germany	(0.65)	3	(2)	11	17	(1)
India	4.42	1	2	(12)	(112)	(196)
China	1.62	0	2	49	(35)	(91)
Currencies (Δ %)						
EUR	1.1233	0.4	2.1	1.4	0	(0.9)
GBP	1.2579	0.2	2.6	(0.1)	(2.1)	(1.4)
JPY	108.66	(0.3)	(0.9)	(0.6)	0.7	0.4
AUD	0.6890	0.5	4.0	5.9	4.0	(2.6)
INR	75.48	(0.2)	0.3	(0.6)	(3.9)	(9.1)
CNY	7.1110	(0.1)	0.8	(0.9)	(2.4)	(3.2)
Equity & Other indices (Δ %)						
Dow	26,270	2.0	2.8	7.4	(4.6)	2.6
FTSE	6,382	2.6	3.9	7.0	(7.3)	(14.2)
DAX	12,487	3.9	7.1	6.7	(2.3)	(1.7)
NIKKEI	22,614	1.3	5.6	12.5	3.4	8.1
Shanghai Comp	2,923	0.1	3.1	1.9	(1.9)	0.9
SENSEX	34,110	0.8	7.9	(1.2)	(12.7)	(17.3)
Brent (US\$/bbl)	38.92	0.1	12.0	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)						
	2 Jun	1 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	14.6	22.9	37.6	37.6	(14,017.7)	(4,258.2)
FII-Equity	918.5	918.5	1,962.4	1,962.4	(2,952.2)	3,650.8

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

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