

MACRO DAILY

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Macro developments

- India's services PMI improved in Aug'20 to 41.8 from 34.2 in Jul'20. With state lockdown restrictions being removed, businesses re-opened but were operating much below capacity. Both new domestic and export orders remained weak. Employment index fell only marginally. Future business outlook remained neutral, with some respondents expecting activity to remain at current levels in the year ahead.
- US ISM services index fell to 56.9 in Aug'20 from 58.1 in Jul'20 as increase in COVID-19 cases in some parts lead to re-imposition of restrictions. New orders declined to 56.8 from 67.7 in Jul'20. Separate data also showed that US trade deficit rose to a 12-year high at US\$ 63.6bn led by a sharp increase in imports. Separately, jobless claims for the week ended 29 Aug 2020 fell by 130,000 to a 5-month low at 881,000.
- Services activity in Eurozone eased in Aug'20. The PMI index fell to 50.5 from 54.7 in Jul'20. The slowdown was broad-based with significant contraction seen in Italy (47.1 from 51.6) and Spain (47.7 from 51.9). New export orders and weak domestic demand were the key drags. In case of Germany (52.5 from 55.6) and France (51.5 from 57.6) while the activity slowed, it still remains in the expansionary zone for now.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 1bps (0.63%) as Fed's Beige book highlighted that growth will remain well below pre-pandemic levels. Crude prices fell by 0.8% (US\$ 44/bbl). India's 10Y yield fell by 2bps (5.9%). It is trading flat today.
- Currency:** Except EUR and JPY (flat), other global currencies closed lower. DXY fell marginally by 0.1% as US services activity moderated. GBP depreciated by 0.5% on growth concerns. INR depreciated by 0.6%. However, it is trading higher today in line with other Asian currencies.
- Equity:** Barring Nikkei, other global indices ended lower led by subdued global PMIs. Amongst other indices, Dow tumbled by 2.8%, its sharpest drop in over 3-months led by sell-off in tech stocks. This was followed by FTSE (1.5%) and Dax (1.4%). Sensex (0.2%) too ended in red dragged down by banking and metal stocks. It is trading lower 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	0.63	(1)	(12)	8	(19)	(92)
UK	0.24	1	(10)	14	(7)	(36)
Japan	0.04	0	0	1	0	30
Germany	(0.49)	(2)	(8)	4	(17)	11
India	5.90	(2)	(26)	6	14	(68)
China	3.12	1	6	17	29	10
2Y yields (Δ bps)						
US	0.13	(1)	(3)	2	(7)	(140)
UK	(0.10)	2	(8)	(3)	(10)	(54)
Japan	(0.11)	(1)	0	1	3	17
Germany	(0.70)	0	(4)	(1)	(10)	17
India	4.35	(2)	(13)	16	(5)	(136)
China	2.58	8	8	37	60	0
Currencies (Δ %)						
EUR	1.1852	0	0.3	0.8	4.5	7.4
GBP	1.3281	(0.5)	0.6	1.6	5.4	7.7
JPY	106.19	0	0.4	(0.2)	2.7	0.7
AUD	0.7273	(0.9)	0.2	2.1	4.8	6.7
INR	73.48	(0.6)	0.5	2.0	2.8	(2.3)
CNY	6.8488	(0.2)	0.7	1.9	3.7	4.2
Equity & Other indices (Δ %)						
Dow	28,293	(2.8)	(0.7)	6.1	7.7	5.9
FTSE	5,851	(1.5)	(2.5)	(3.0)	(7.7)	(19.5)
DAX	13,058	(1.4)	(0.3)	3.2	5.0	7.7
NIKKEI	23,466	0.9	1.1	5.7	3.4	11.3
Shanghai Comp	3,385	(0.6)	1.0	0.5	16.0	13.4
SENSEX	38,991	(0.2)	(0.3)	5.6	14.7	6.4
Brent (US\$/bbl)	44.07	(0.8)	(2.3)	(0.2)	10.2	(27.7)
Gold (US\$/oz)	1,931	(0.6)	0.1	(2.3)	12.7	27.1
CRB Index	396.1	0.5	1.3	4.7	7.5	2.1
Rogers Agri Index	735.8	(0.8)	(0.4)	5.0	8.0	8.4
LIBOR (3M)*	0.25	0	1	0	(7)	(185)
INR 5Y Swap*	5.50	(3)	(15)	35	34	(61)
India FII data (US\$ mn)						
	2 Sep	1 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(58.1)	(19.9)	(108.7)	(78.0)	(15,168.0)	(5,408.5)
FII-Equity	168.2	78.8	(73.4)	247.0	5,054.3	11,657.3

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

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