

MACRO DAILY

05 May 2020

Macro developments

- India's manufacturing PMI reading fell sharply to 27.4 in Apr'20 compared with 51.8 in Mar'20. This was on the back of steep decline in new orders in the past two and a half years. Widespread business closures and muted demand conditions contributed to this plunge. Input cost and employment scenario also remained muted.
- COVID-19 cases increased globally to 3.62mn as of 4 May 2020, yet the pace of increase is declining. On a daily basis, new cases in US rose the most by 22,291, followed by India at 3,932 and Italy at 1,221. Globally, US has the maximum number of cases at 1.18mn. In India, the number of cases rose to 46,433 as of 5 May 2020 vs 31,360 last week.
- With the imposition of lockdown to curtail the outbreak of COVID-19, US factory orders declined to an all-time low in this series to 10.3% in Mar'20 from an increase of 0.2% in Feb'20. Inventories in factories (0.8% from 0.4% in Feb'20) and shipment of manufactured goods (5.2% from 0.3% in Feb'20) also contracted during this period. Both durables and non-durables orders also declined by 14.7% and 5.8% respectively in Mar'20.

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Markets

- Bonds:** Global yields closed mixed as US-China trade tension resurfaced. Global macro prints-ASEAN manufacturing PMI and US factory orders remained dismal. US 10Y yield rose by 2bps (0.63%) as risk sentiment improved with gradual lifting of lockdown restrictions globally. Crude prices rose by 2.9% (US\$ 27/bbl). India's 10Y yield fell by 2bps (6.08%) amidst hopes of more stimulus from RBI. It is trading at 6.07% today.
- Currency:** Global currencies closed mixed. DXY and JPY rose on safe-haven demand as US threatened to impose tariffs on China. EUR and GBP depreciated by 0.7% and 0.5% respectively as manufacturing PMI remained weak. INR too depreciated by 0.8% led by a sell-off in global markets. It is trading higher today in line with other Asian currencies.
- Equity:** Global indices closed mixed on the back of emergence of escalated tensions between US and China. Sensex (5.9%) declined the most followed by Dax (3.6%). Sensex was dragged by weak global cues and worries around economic impact of extended lockdown. 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	0.63	2	(3)	4	(89)	(184)
UK	0.23	(2)	(7)	(8)	(28)	(99)
Japan	(0.02)	0	2	(1)	4	2
Germany	(0.56)	2	(11)	(12)	(12)	(57)
India	6.08	(2)	(6)	(22)	(42)	(131)
China	2.52	0	1	(4)	(29)	(85)
2Y yields (Δ bps)						
US	0.18	(1)	(4)	(5)	(117)	(211)
UK	0.03	(1)	(4)	(6)	(44)	(76)
Japan	(0.14)	0	1	(1)	0	1
Germany	(0.75)	1	(9)	(9)	(8)	(16)
India	4.50	(6)	(5)	(77)	(152)	(227)
China#	1.12	0	(1)	(51)	(111)	(149)
Currencies (Δ %)						
EUR	1.0907	(0.7)	0.7	1.0	(1.4)	(2.6)
GBP	1.2443	(0.5)	0.1	1.4	(4.2)	(5.0)
JPY	106.74	0.2	0.5	1.7	1.8	3.6
AUD	0.6428	0.2	(0.6)	7.2	(3.9)	(8.1)
INR	75.73	(0.8)	0.7	0.6	(6.1)	(9.1)
CNY	7.0633	0.2	0.3	0.4	(0.6)	(4.4)
Equity & Other indices (Δ %)						
Dow	23,750	0.1	(1.6)	12.8	(16.4)	(10.2)
FTSE	5,754	(0.2)	(1.6)	6.2	(21.5)	(22.0)
DAX	10,467	(3.6)	(1.8)	9.9	(19.8)	(14.8)
NIKKEI	20,194	2.1	2.1	13.3	(12.1)	(9.3)
Shanghai Comp	2,860	1.3	1.6	3.5	4.1	(1.6)
SENSEX	31,715	(5.9)	(0.1)	14.9	(20.5)	(17.8)
Brent (US\$/bbl)	27.20	2.9	36.1	(20.3)	(50.0)	(61.8)
Gold (US\$/oz)	1,702	0.1	(0.7)	5.0	7.9	32.9
CRB Index	351.3	(0.6)	1.1	(3.2)	(13.0)	(15.9)
Rogers Agri Index	649.2	(0.7)	1.8	1.3	(11.3)	(8.9)
LIBOR (3M)*	0.54	(2)	(30)	(85)	(120)	(202)
INR 5Y Swap*	5.26	4	4	(72)	(134)	(198)
India FII data (US\$ mn)						
	30 Apr	29 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(303.7)	(532.8)	(847.0)	(1,584.3)	(11,343.8)	(1,584.3)
FII-Equity	369.1	103.7	378.1	(30.5)	(6,633.5)	(30.5)

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

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