

MACRO DAILY

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Macro developments

- India's services activity still remained muted with PMI print at 34.2 in Jul'20 against 33.7 in Jun'20; remaining far below the 50-mark. This was driven by sharp drop in sales and new business activity. The 12-month outlook for output was also negative for the 3rd successive month. Employment index fell sharply. Input costs increased for the first time since Mar'20 amid reports of greater fuel and cargo costs.
- RBI reported that currency in circulation (CIC) increased by Rs 14.6bn and stood at Rs 26.7tn for the week ending 31 Jul 2020. Reserve money rose by 15.4% on a YoY basis, compared with 12.2% a year ago. On a FYTD basis, reserve money increased by 5% as against a decrease of 0.5% last year.
- Global services PMI rose to 50.5 in Jul'20 from 48 in Jun'20. Improvement was visible across regions with Eurozone PMI at 54.7 versus 48.3 in Jun'20, led by France (57.3) and Germany (55.3). UK PMI jumped to 56.5 from 47.1 in Jun'20. US ISM services PMI inched up to 58.1 from 57.1. Across countries, growth was driven by higher domestic orders. Employment too rose as previously shut sectors opened up.

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Markets

- Bonds:** Except Japan, global yields closed higher led by upbeat services PMI print in the US and Eurozone. US 10Y yield rose by 4bps (0.55%) on expectation of more fiscal stimulus to support recovery. Crude prices also rose by 1.7% (US\$ 45/bbl) on hopes of revival in demand. India's 10Y yield closed flat (5.83%) and is trading steady today, ahead of the RBI policy.
- Currency:** Global currencies closed higher against the dollar. DXY fell by 0.6% after ADP employment data showed sharp dip in private payrolls in Jul'20. EUR and CNY appreciated the most by 0.5% as global services PMI showed significant improvement. INR too rose by 0.1%. It is trading further higher today, while Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Sensex, other global indices ended higher. Dow (1.4%) gained the most supported by services PMI data. FTSE (1.1%) rose on account of better corporate earnings. Sensex (0.1%) on the other hand ended in red and was dragged lower by power stocks. However, it is trading higher today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.55	4	(3)	(12)	(16)	(119)
UK	0.13	5	1	(6)	(10)	(36)
Japan	0.01	(1)	(1)	(2)	3	20
Germany	(0.51)	5	(1)	(7)	0	8
India	5.83	0	0	(2)	(20)	(54)
China	2.98	3	1	8	41	(7)
2Y yields (Δ bps)						
US	0.12	1	(1)	(4)	(6)	(149)
UK	(0.05)	2	2	3	(6)	(51)
Japan	(0.12)	0	(1)	1	2	11
Germany	(0.70)	1	(1)	(1)	5	16
India	4.19	0	(3)	3	(20)	(168)
China**	2.21	0	(5)	15	109	(32)
Currencies (Δ %)						
EUR	1.1863	0.5	0.6	5.5	9.9	5.9
GBP	1.3114	0.3	0.9	5.1	6.2	8.0
JPY	105.6000	0.1	(0.6)	1.8	0.5	0.6
AUD	0.7192	0.4	0.1	3.6	12.4	6.4
INR	74.9425	0.1	(0.2)	(0.4)	1.1	(5.7)
CNY	6.9366	0.5	0.9	1.8	2.4	1.8
Equity & Other indices (Δ %)						
Dow	27,202	1.4	2.5	5.3	14.9	4.6
FTSE	6,105	1.1	(0.4)	(0.9)	4.3	(15.2)
DAX	12,660	0.5	(1.3)	1.1	19.4	8.7
NIKKEI	22,515	(0.3)	0.5	0.9	14.8	9.7
Shanghai Comp	3,378	0.2	2.5	7.1	17.4	22.0
SENSEX	37,663	(0.1)	(1.1)	4.6	18.9	2.7
Brent (US\$/bbl)	45.17	1.7	3.2	5.5	52.0	(19.7)
Gold (US\$/oz)	2,038	0.9	3.4	14.8	20.9	35.8
CRB Index	375.2	(0.8)	(0.4)	4.1	5.9	(5.3)
Rogers Agri Index	696.8	0.1	0.5	2.2	7.4	(1.2)
LIBOR (3M)*	0.25	0	(1)	(3)	(20)	(194)
INR 5Y Swap*	5.16	1	(5)	(12)	(12)	(122)
India FII data (US\$ mn)						
	4 Aug	3 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	16.3	(27.7)	(11.4)	(11.4)	(14,539.1)	(4,779.6)
FII-Equity	116.6	1,003.5	1,120.1	1,120.1	(168.0)	6,434.9

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

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