

## MACRO DAILY

06 February 2020

### Macro developments

- India's services PMI rose to a 7-year high of 55.5 in Jan'20 from 53.3 in Dec'19. This was led by improvement in domestic demand as new orders rose sharply. However, new export orders declined. Employment increased in all sub-sectors except finance & insurance. Output prices rose to their highest since Feb'18 as input prices jumped to 66-month high in Jan'20.
- Services activity improved globally in Jan'20. US ISM non-manufacturing PMI was higher at 55.5 vs 54.9 in Dec'19. Eurozone services PMI was at 52.5 in Jan'20 vs 52.8, led by sharp pickup in business activity growth in Germany (5-month high). In Japan as well, services PMI rose to 51 vs 49.4 in Dec'19, led by considerable rise in new orders, employment and output.
- Bank of Thailand (BoT) has reduced the key policy rate by 25bps to 1% (record low) in its latest meeting. The decision was on account of lower growth projected in CY20 (2.8% vs 3.3% earlier) owing to coronavirus and budget delays. Growth in Q1CY20, led by dip in foreign tourist arrivals (mainly from China), is estimated to be at 2% vs est.: 2.5% in Q4CY19.

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### Markets

- Bonds:** Barring China and India, global yields closed higher led by buoyant services activity globally. US 10Y yield rose the most by 5bps (1.65%) supported by robust private payroll numbers. Oil prices rose by 2.4% (US\$ 55/bbl) amidst falling US inventories. India's 10Y yield closed stable at 6.51% and is trading at the same level today, ahead of RBI's policy.
- Currency:** Global currencies closed mixed. DXY rose by 0.3% on the back of strong macro data (ISM non-manufacturing PMI and private payrolls). CNY also edged up by 0.4% on reports of a possible cure for the coronavirus. INR rose by 0.1%. It is trading lower today while other Asian currencies are trading higher.
- Equity:** Global indices ended higher as concerns over coronavirus subsided. Dow (1.7%) gained the most. European indices also rose as services PMI in Eurozone rose more than expected in Jan'20. Sensex continued its bull run (0.9%) and extended its post-budget rally. Metal and real-estate stocks advanced the most. 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
<b>10Y yields (Δ bps)</b>						
US	1.65	5	7	(16)	(18)	(104)
UK	0.62	5	10	(15)	(10)	(60)
Japan	(0.04)	1	0	(2)	4	(2)
Germany	(0.36)	4	2	(7)	(3)	(52)
India	6.51	0	(7)	(6)	2	(85)
China	2.87	0	(19)	(27)	(39)	(24)
<b>2Y yields (Δ bps)</b>						
US	1.44	3	3	(10)	(17)	(108)
UK	0.51	1	8	(9)	(3)	(23)
Japan	(0.14)	1	(1)	1	5	2
Germany	(0.64)	1	0	(2)	0	(9)
India	6.00	(1)	(9)	(23)	49	(93)
China	2.23	(7)	(5)	(42)	(42)	(17)
<b>Currencies (Δ %)</b>						
EUR	1.0999	(0.4)	(0.1)	(1.8)	(0.6)	(3.2)
GBP	1.3002	(0.2)	(0.1)	(1.3)	1.1	0.5
JPY	109.83	(0.3)	(0.7)	(1.3)	(0.8)	0.1
AUD	0.6746	0.1	(0.1)	(2.8)	(2.0)	(5.1)
INR	71.22	0.1	0.1	1.0	(0.3)	0.5
CNY	6.9714	0.4	(1.5)	0.1	0.4	(3.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	29,291	1.7	1.9	2.0	6.5	15.4
FTSE	7,482	0.6	0	(1.2)	1.2	4.3
DAX	13,478	1.5	1.0	2.7	2.3	19.0
NIKKEI	23,320	1.0	(0.3)	0.5	0.1	11.7
Shanghai Comp	2,818	1.3	(9.0)	(8.6)	(5.4)	7.6
SENSEX	41,143	0.9	(0.1)	1.1	1.7	11.3
Brent (US\$/bbl)	55.28	2.4	(7.6)	(19.8)	(10.5)	(11.8)
Gold (US\$/oz)	1,556	0.2	(1.3)	(0.6)	4.4	19.1
CRB Index	404.0	0	(0.5)	0.7	3.9	(2.3)
Rogers Agri Index	735.2	0.2	(1.4)	(2.6)	0.8	(5.8)
LIBOR (3M)*	1.74	(1)	(4)	(13)	(16)	(100)
INR 5Y Swap*	6.58	(3)	(14)	(8)	4	(63)
<b>India FII data (US\$ mn)</b>						
	<b>4 Feb</b>	<b>3 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(546.0)	28.4	(517.7)	(517.7)	(2,086.5)	857.6
FII-Equity	129.7	258.5	388.3	388.3	1,760.9	9,150.1

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

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