

MACRO DAILY

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Macro developments

- India's forex reserves rose by US\$ 1.3bn in the week ended 26 Jun 2020 compared with a decline of US\$ 2.1bn last week. India's FX reserves now stand at US\$ 506.8bn, the fifth largest in the world and can cover about 14 months of imports (as of May'20). In FYTD21, forex reserves have risen by US\$ 31.3bn, compared with an accretion of US\$ 15.8bn last year.
- India's services PMI rose to 33.7 in Jun'20 from 12.6 in May'20 as lockdown restrictions were eased. However, the print indicates that weakness in activity still persists. New orders continued to contract, led by external orders. Domestic demand also remained subdued, forcing some businesses to close down. Employment index fell further in Jun'20 and 12-month ahead business expectation remains negative.
- Services activity gained some traction globally. In the Eurozone, services PMI rose to 48.3 from 30.5 in May'20; still below the 50 mark. In Japan as well, services PMI rose to 45 from 26.5 in May'20. Despite an improvement, demand conditions continued to remain weak. Employment scenario also weakened and input prices moderated.

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Markets

- Bonds:** Global yields closed mixed as COVID-19 cases continue to rise in the US. However, US 10Y yield closed stable at 0.67% supported by improving employment scenario. Crude prices fell by 0.8% (US\$ 43/bbl). India's 10Y yield closed stable at 5.85%. It is trading at 5.84% today.
- Currency:** Global currencies closed broadly higher against the dollar. DXY fell by 0.1% amidst surging COVID-19 cases in the country. INR appreciated by 0.5% buoyed by hopes of an economic recovery and COVID-19 vaccine. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring European indices, other global indices ended higher led by early signs of global economic recovery and hopes of COVID-19 vaccine. Shanghai Comp (2%) surged the most as China's services PMI reading improved in Jun'20. Sensex too gained by 0.5% led by power and cap goods stocks. 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	0.67	0	3	(2)	7	(136)
UK	0.19	0	2	(3)	(12)	(55)
Japan	0.03	(1)	2	2	4	18
Germany	(0.43)	0	5	(2)	1	(7)
India	5.85	0	(7)	9	(46)	(85)
China	2.90	4	3	9	35	(28)
2Y yields (Δ bps)						
US	0.15	0	(1)	(1)	(8)	(171)
UK	(0.08)	1	(1)	(6)	(17)	(64)
Japan	(0.13)	(1)	(1)	1	0	8
Germany	(0.68)	0	2	(3)	(2)	7
India	4.16	(1)	(9)	(26)	(111)	(201)
China	2.06	(3)	(12)	40	43	(52)
Currencies (Δ %)						
EUR	1.1248	0.1	0.3	0.7	4.1	0.2
GBP	1.2483	0.1	1.2	(0.5)	1.7	(0.3)
JPY	107.51	0	(0.3)	1.1	1.0	0.9
AUD	0.6939	0.2	1.1	0.6	15.7	(0.6)
INR	74.65	0.5	1.3	0.9	2.0	(9.1)
CNY	7.0665	0	0.2	0.5	0.3	(2.5)
Equity & Other indices (Δ %)						
Dow	25,827	0.4	3.2	0.3	22.7	(4.1)
FTSE	6,157	(1.3)	0	(1.0)	13.7	(18.5)
DAX	12,528	(0.6)	3.6	4.2	31.5	(0.3)
NIKKEI	22,306	0.7	(0.9)	(0.1)	25.2	2.6
Shanghai Comp	3,153	2.0	5.8	7.9	14.1	4.7
SENSEX	36,021	0.5	2.4	6.5	30.6	(8.8)
Brent (US\$/bbl)	42.80	(0.8)	4.3	8.2	25.5	(33.4)
Gold (US\$/oz)	1,772	(0.2)	0	2.6	9.3	26.6
CRB Index	360.6	(0.6)	0.5	(2.3)	(0.7)	(10.8)
Rogers Agri Index	681.7	(0.4)	3.5	1.5	6.4	(8.6)
LIBOR (3M)*	0.30	1	0	(3)	(108)	(201)
INR 5Y Swap*	5.28	(2)	0	10	(70)	(134)
India FII data (US\$ mn)						
	02 Jul	01 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(16.3)	48.0	157.7	31.7	(14,250.3)	(4,490.8)
FII-Equity	(223.0)	(223.0)	(537.8)	(266.9)	(2,708.3)	3,894.6

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

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