

## MACRO DAILY

07 July 2020

### Macro developments

- As per news reports, central government has extended the 15% spending limit for various departments to Q2FY21 as well. In Q1, directive was issued to departments such as commerce, industry, etc, to curb their expenditure at 15% of FY21BE against 25% allowed every year. This is expected to save Rs 2.8tn in H1FY21, amount similar to stimulus announced so far. Despite maintaining expenditure at budgeted levels, government is estimated to see 6.5% of fiscal deficit in FY21, largely owing to revenue shortfalls.
- Services activity in the US gained traction in Jun'20. ISM non-manufacturing PMI print rose to 57.1 in Jun'20 (est.: 50) from 45.4 in May'20. This jump in the reading comes after two successive months of contraction due to COVID-19. This was on the back of improved business outlook and employment scenario.
- Eurozone retail sales rebounded more than anticipated to 17.8% in May'20 from a decline of 12.1% in Apr'20 on a MoM basis. This was led by across the board jump with sharpest increase in automobile products (38.4% in May'20) and non-food products (34.5%). The bounce back signals a possible recovery as countries began to reopen and ease restrictions.

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### Markets

- Bonds:** Global yields closed mixed due to rising cases in the US and trade tensions between US-China. China's 10Y yield rose the most by 13bps supported by buoyant macro data. US 10Y yield rose by 1bps (0.68%) due to rebounding services activity. Crude prices rose by 0.7% (US\$ 43/bbl). India's 10Y yield fell by 1bps (5.84%). It is trading at 5.85% today.
- Currency:** Global currencies closed higher as risk sentiment improved on the back of better than expected US non-manufacturing PMI. DXY fell by 0.5%. CNY appreciated sharply by 0.7% to a 3-month high on hopes of a strong economic recovery in China. INR closed flat. However, it is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended higher on the back of progress made towards COVID-19 vaccine and strong data print from EU (retail sales). Shanghai Comp soared by 5.7% as investors anticipated possible 'bulls sentiment' in the market. Sensex (1.3%) too ended in green with auto stocks advancing 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	0.68	1	5	(22)	1	(137)
UK	0.20	1	4	(15)	(13)	(51)
Japan	0.04	1	2	(1)	2	19
Germany	(0.43)	0	4	(15)	(1)	(7)
India	5.84	(1)	(7)	7	(58)	(73)
China	3.03	13	18	17	53	(15)
<b>2Y yields (Δ bps)</b>						
US	0.16	0	1	(5)	(11)	(173)
UK	(0.07)	1	2	(8)	(18)	(62)
Japan	(0.13)	0	0	0	(2)	8
Germany	(0.68)	0	1	(8)	(4)	6
India	4.15	(1)	(9)	(30)	(121)	(197)
China	2.09	3	(4)	5	73	(49)
<b>Currencies (Δ %)</b>						
EUR	1.1309	0.5	0.6	0.2	4.8	0.8
GBP	1.2492	0.1	1.6	(1.4)	2.1	(0.2)
JPY	107.35	0.1	0.2	2.0	1.7	1.3
AUD	0.6973	0.5	1.6	0.1	14.5	0
INR	74.68	0	1.2	1.2	1.2	(8.8)
CNY	7.0188	0.7	0.9	0.9	0.4	(2.0)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,287	1.8	2.7	(3.0)	15.9	(1.9)
FTSE	6,286	2.1	1.0	(3.1)	12.6	(16.7)
DAX	12,733	1.6	4.1	(0.9)	26.4	1.5
NIKKEI	22,714	1.8	3.3	(0.7)	22.3	5.5
Shanghai Comp	3,333	5.7	12.5	13.7	18.2	13.6
SENSEX	36,487	1.3	4.4	6.4	21.4	(5.8)
Brent (US\$/bbl)	43.10	0.7	3.3	1.9	30.4	(32.8)
Gold (US\$/oz)	1,785	0.5	0.7	5.9	7.4	27.9
CRB Index	361.7	0.3	0.8	(2.1)	(0.5)	(10.6)
Rogers Agri Index	685.3	0.5	3.0	(0.0)	5.9	(8.0)
LIBOR (3M)*	0.28	(3)	(2)	(4)	(108)	(206)
INR 5Y Swap*	5.32	4	4	21	(91)	(119)
<b>India FII data (US\$ mn)</b>						
	<b>03 Jul</b>	<b>02 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(17.2)	(16.3)	140.5	14.5	(14,267.5)	(4,508.0)
FII-Equity	83.0	(43.9)	(454.8)	(183.8)	(2,625.3)	3,977.7

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

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