

## MACRO DAILY

07 September 2020

### Macro developments

- Andhra Pradesh retained the top position in the state wise ease of doing business rankings, followed by UP and Telengana. Delhi's position improved to 12 from 23. However, Gujarat fell to the 10th rank from 5th place. This exercise is conducted for all states and UTs under the Business Reform Action Plan which includes 181 reforms covering 45 business regulatory areas.
- China's exports surprised positively and rose by 9.5% in Aug'20 (est.: 7.5%) from 7.2% in Jul'20. Resumption of activity in the US and EU have supported exports. Medical, work from home, and home schooling equipment including computers and tablets were the key drivers. On the other hand, imports continued to decline by 2.1% in Aug'20 (est.: 0.2% increase) versus 1.4% drop in Jul'20.
- US nonfarm payroll increased by 1.37mn in Aug'20 against expectation of 1.35mn and compared with 1.73mn increase in Jul'20. Unemployment rate edged down to 8.4% from 10.2% in Jul'20, reaching the levels seen in Mar'20. Average hourly earnings rose by 0.4% against 0.1% in Jul'20, on MoM basis.

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### Markets

- **Bonds:** Barring Japan (flat), other global yield closed higher. US 10Y yield jumped by 8bps as US unemployment rate fell sharply to 8.4% from 10.2% in Jul'20. Crude oil prices fell by 3.2% (US\$ 42.66/bbl). Indian 10Y yield inched up 3bps (5.93%) as RBI's OMO auction results were not in line with expectations. It is trading further higher at 5.95% today.
- **Currency:** Global currencies closed mixed. DXY closed flat even as US unemployment rate edged down in Aug'20. GBP too ended flat weighed down by inconclusive Brexit negotiations. INR rose by 0.5% supported by lower oil prices. However, it is trading lower today while other Asian currencies are trading mixed.
- **Equity:** Global indices ended lower as broad based sell-off in tech stocks continued to negatively impact markets, despite better than anticipated US jobs report. Both Dax and Sensex declined by 1.6% each followed by Nikkei (1.1%). Metal and power stocks dragged Sensex lower. It is trading further lower today, while other Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars                             | Current      | 1D           | 1W         | 1M         | 3M          | 12M         |
|---|--------------|--------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |              |              |            |            |             |             |
| US                                      | 0.72         | 8            | 0          | 21         | (18)        | (84)        |
| UK                                      | 0.26         | 3            | (5)        | 19         | (9)         | (24)        |
| Japan                                   | 0.04         | 0            | (2)        | 2          | (1)         | 28          |
| Germany                                 | (0.47)       | 2            | (6)        | 8          | (20)        | 17          |
| India                                   | 5.93         | 3            | (21)       | 16         | 17          | (67)        |
| China                                   | 3.13         | 1            | 5          | 18         | 27          | 12          |
| <b>2Y yields (Δ bps)</b>                |              |              |            |            |             |             |
| US                                      | 0.14         | 2            | 2          | 4          | (6)         | (140)       |
| UK                                      | (0.08)       | 2            | (2)        | (1)        | (8)         | (47)        |
| Japan                                   | (0.12)       | (1)          | (1)        | 0          | 1           | 18          |
| Germany                                 | (0.70)       | 0            | (3)        | 1          | (10)        | 17          |
| India                                   | 4.34         | (1)          | (15)       | 15         | (11)        | (137)       |
| China                                   | 2.60         | 1            | 8          | 39         | 55          | 1           |
| <b>Currencies (Δ %)</b>                 |              |              |            |            |             |             |
| EUR                                     | 1.1838       | (0.1)        | (0.5)      | 0.3        | 4.8         | 7.3         |
| GBP                                     | 1.3279       | 0            | (0.6)      | 1.6        | 4.8         | 8.1         |
| JPY                                     | 106.24       | 0            | (0.8)      | (0.5)      | 3.1         | 0.6         |
| AUD                                     | 0.7282       | 0.1          | (1.1)      | 1.7        | 4.5         | 6.4         |
| INR                                     | 73.14        | 0.5          | 0.4        | 2.5        | 3.2         | (2.0)       |
| CNY                                     | 6.8425       | 0.1          | 0.3        | 1.9        | 3.4         | 3.8         |
| <b>Equity &amp; Other indices (Δ %)</b> |              |              |            |            |             |             |
| Dow                                     | 28,133       | (0.6)        | (1.8)      | 4.9        | 3.8         | 5.0         |
| FTSE                                    | 5,799        | (0.9)        | (2.8)      | (3.9)      | (10.6)      | (20.4)      |
| DAX                                     | 12,843       | (1.6)        | (1.5)      | 1.9        | 0           | 5.3         |
| NIKKEI                                  | 23,205       | (1.1)        | 1.4        | 2.8        | 1.5         | 9.5         |
| Shanghai Comp                           | 3,355        | (0.9)        | (1.4)      | (0.5)      | 14.5        | 11.9        |
| SENSEX                                  | 38,357       | (1.6)        | (2.8)      | 1.8        | 11.9        | 3.7         |
| Brent (US\$/bbl)                        | 42.66        | (3.2)        | (5.3)      | (4.0)      | 0.9         | (30.7)      |
| Gold (US\$/oz)                          | 1,934        | 0.2          | (1.6)      | (4.2)      | 14.8        | 28.3        |
| CRB Index                               | 395.1        | (0.3)        | 0.5        | 5.3        | 7.0         | 2.1         |
| Rogers Agri Index                       | 736.1        | 0            | (0.3)      | 5.8        | 7.4         | 9.1         |
| LIBOR (3M)*                             | 0.25         | (0)          | 1          | 0          | (6)         | (188)       |
| INR 5Y Swap*                            | 5.54         | 4            | (18)       | 39         | 43          | (56)        |
| <b>India FII data (US\$ mn)</b>         |              |              |            |            |             |             |
|   | <b>3 Sep</b> | <b>2 Sep</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 85.4         | (58.1)       | (23.3)     | 7.4        | (15,082.6)  | (5,323.1)   |
| FII-Equity                              | (16.2)       | 168.2        | (89.7)     | 230.7      | 5,038.1     | 11,641.1    |

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

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