

## MACRO DAILY

08 June 2020

### Macro developments

- RBI has announced establishment of Payments Infrastructure Development Fund (PIDF). It will provide initial corpus of Rs 2.5bn, covering half of the fund. The remaining will be raised from card issuing banks and card network companies. This fund will enable adoption of PoS infrastructure in Tier-3 to Tier-6 centres and north-eastern states. This in turn will help banks to increase their market share in this segment.
- In an effort to prudently use the existing resources, Centre has announced that no new government schemes will be announced in FY21. Even, approved schemes of Rs 5bn will remain suspended till FY21. However, proposals worth Rs 21tn announced under Pradhan Mantri Garib Kalyan and Aatmanirbhar Bharat package will continue to operate. Apart from this, all the ongoing schemes which got approval in Jan'20 will also continue.
- US jobs data showed that non-farm payrolls rose by record 2.5mn in May'20, versus est. 7.5mn drop and 20.7mn decline in Apr'20. Sharpest increase was visible in leisure and hospitality sector (1.2mn), construction (0.46mn) and education and health services (0.42mn). This brings the unemployment rate down to 13.3% from est. 19% and 14.7% in Apr'20.

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### Markets

- **Bonds:** Global yields closed higher amidst improving employment scenario in the US. Thus, its 10Y yield rose the most by 7bps (0.9%). Crude prices rose by 5.8% (US\$ 42/bbl) on expectation of revival in demand and anticipation of further production cut in the ongoing OPEC+ meeting. India's 10Y yield rose by 1bps (6.02%). It is trading flat today.
- **Currency:** Global currencies closed mixed. DXY rose by 0.3% as US jobs data surprised positively. GBP also rose by 0.6% even as Brexit negotiations continued. EUR and JPY depreciated by 0.4% each. INR closed flat. It is trading lower today in line with other Asian currencies.
- **Equity:** Global indices ended higher led by renewed hopes of global economic recovery. Dax (3.4%) surged the most followed by Dow (3.2%) on the back of improved US jobs report. Sensex (0.9%) too continued its upward momentum led by global cues and gradual reopening of economy. 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                                      | 0.90         | 7            | 24         | 23         | 13          | (119)       |
| UK                                      | 0.35         | 5            | 17         | 15         | 12          | (46)        |
| Japan                                   | 0.05         | 1            | 5          | 7          | 17          | 17          |
| Germany                                 | (0.28)       | 4            | 17         | 30         | 43          | (2)         |
| India                                   | 6.02         | 1            | 1          | (5)        | (16)        | (95)        |
| China                                   | 2.86         | 2            | 17         | 29         | 23          | (40)        |
| <b>2Y yields (Δ bps)</b>                |              |              |            |            |             |             |
| US                                      | 0.21         | 1            | 5          | 2          | (30)        | (164)       |
| UK                                      | 0.01         | 0            | 5          | 0          | (10)        | (52)        |
| Japan                                   | (0.13)       | 2            | 3          | 1          | 15          | 7           |
| Germany                                 | (0.60)       | 0            | 6          | 19         | 26          | 7           |
| India                                   | 4.45         | 5            | 6          | (5)        | (90)        | (182)       |
| China                                   | 2.04         | 6            | 49         | 87         | 8           | (49)        |
| <b>Currencies (Δ %)</b>                 |              |              |            |            |             |             |
| EUR                                     | 1.1292       | (0.4)        | 1.7        | 4.2        | 0.1         | (0.4)       |
| GBP                                     | 1.2668       | 0.6          | 2.6        | 1.9        | (2.9)       | (0.5)       |
| JPY                                     | 109.59       | (0.4)        | (1.6)      | (2.8)      | (4.0)       | (1.3)       |
| AUD                                     | 0.6969       | 0.4          | 4.5        | 8.4        | 5.0         | (0.5)       |
| INR                                     | 75.58        | 0            | 0          | 0.1        | (2.4)       | (8.8)       |
| CNY                                     | 7.0835       | 0.4          | 0.8        | 0.3        | (2.2)       | (2.5)       |
| <b>Equity &amp; Other indices (Δ %)</b> |              |              |            |            |             |             |
| Dow                                     | 27,111       | 3.2          | 6.8        | 13.5       | 4.8         | 4.3         |
| FTSE                                    | 6,484        | 2.3          | 6.7        | 10.9       | 0.3         | (11.6)      |
| DAX                                     | 12,848       | 3.4          | 10.9       | 19.7       | 11.3        | 6.7         |
| NIKKEI                                  | 22,864       | 0.7          | 4.5        | 16.2       | 10.2        | 9.5         |
| Shanghai Comp                           | 2,931        | 0.4          | 2.8        | 1.8        | (3.4)       | 3.6         |
| SENSEX                                  | 34,287       | 0.9          | 5.7        | 9.0        | (8.8)       | (13.5)      |
| Brent (US\$/bbl)                        | 42.30        | 5.8          | 19.7       | 36.6       | (6.6)       | (33.2)      |
| Gold (US\$/oz)                          | 1,685        | (1.7)        | (2.6)      | (1.2)      | 0.7         | 25.7        |
| CRB Index                               | 369.4        | 0.2          | 0.6        | 5.3        | (7.4)       | (9.8)       |
| Rogers Agri Index                       | 685.4        | 0.6          | 2.4        | 5.3        | (2.1)       | (8.0)       |
| LIBOR (3M)*                             | 0.32         | (1)          | (3)        | (16)       | (58)        | (213)       |
| INR 5Y Swap*                            | 5.11         | (5)          | (2)        | (18)       | (63)        | (151)       |
| <b>India FII data (US\$ mn)</b>         |              |              |            |            |             |             |
|   | <b>4 Jun</b> | <b>3 Jun</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (86.5)       | (128.1)      | (177.0)    | (177.0)    | (14,232.3)  | (4,472.8)   |
| FII-Equity                              | 347.4        | 287.0        | 2,596.8    | 2,596.8    | (2,317.7)   | 4,285.3     |

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

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