

## MACRO DAILY

24 August 2020

### Macro developments

- India's forex reserves declined by US\$ 2.9bn in the week ended 14 Aug 2020 to US\$ 535.3bn. Last week, forex reserves had increased by US\$ 3.6bn to a record high of US\$ 538.2bn. In FYTD21, forex reserves have increased by US\$ 59.7bn compared with an accretion of US\$ 18.6bn in the same period last year.
- Flash manufacturing (53.6; 19-month high) and services PMI (54.8; 17-month high) rose significantly in the US in Aug'20. This was driven by expansion in new orders and exports. Both employment and input costs inched up. Separately, US existing home sales rose to ~14-year high of 5.86mn in Jul'20 (4.7mn in Jun'20) supported by lower mortgage rates.
- Flash manufacturing PMIs for Europe indicate that while activity improved sharply in the UK, it was subdued in the Eurozone. In UK, PMI jumped to 30-month high of 55.3 in Aug'20 from 53.3 in Jul'20, while in Eurozone it moved to 51.7 from 51.8. PMI for Germany rose to 53 from 51 in Jul'20, but for France it slipped into contraction at 49 from 52.4 in Jul'20. Sharp slowdown in new orders and acceleration in job cuts were the key drivers.

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### Markets

- Bonds:** Except India, global yields closed lower. US 10Y yield fell by 2bps (0.63%) as investors are eyeing annual Jackson Hole retreat for guidance on policy rate. Crude prices fell by 1.2% (US\$ 44/bbl) as demand concerns still weighed. India's 10Y yield rose the most by 14bps (6.09%) as hawkish minutes by RBI dented hopes of rate cut. It is trading at 6.12% today.
- Currency:** Except INR and JPY, other global currencies closed lower against the dollar. DXY rose by 0.5% as US flash manufacturing and services PMI surprised positively. GBP depreciated the most by 0.9% amidst deadlock in Brexit negotiations. INR rose by 0.2% as oil prices declined. It is trading lower today, in line with other Asian currencies.
- Equity:** Barring European indices which ended lower due to subdued PMI print, other global indices ended higher. Amongst other Indices, Dow (0.7%) surged the most. Sensex (0.6%) too ended in green with power and real estate 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	0.63	(2)	(8)	5	(3)	(91)
UK	0.21	(2)	(4)	8	3	(28)
Japan	0.03	0	(2)	2	3	27
Germany	(0.51)	(1)	(9)	(3)	(2)	17
India	6.09	14	14	28	34	(49)
China	2.99	(1)	5	8	41	(8)
<b>2Y yields (Δ bps)</b>						
US	0.14	0	0	(1)	(2)	(139)
UK	(0.05)	(1)	(3)	5	0	(50)
Japan	(0.11)	0	0	2	6	19
Germany	(0.68)	(1)	(4)	(1)	0	21
India	4.32	8	7	14	(11)	(149)
China	2.44	0	18	38	108	(16)
<b>Currencies (Δ %)</b>						
EUR	1.1797	(0.5)	(0.4)	1.7	8.2	5.9
GBP	1.3090	(0.9)	0	2.7	7.5	6.7
JPY	105.8000	0	0.8	1.0	1.7	(0.4)
AUD	0.7161	(0.4)	(0.1)	0.9	9.5	6.0
INR	74.8450	0.2	0.1	(0.1)	1.5	(4.4)
CNY	6.9194	(0.1)	0.4	1.2	3.0	2.5
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,930	0.7	0	4.8	14.2	9.0
FTSE	6,002	(0.2)	(1.4)	(3.4)	0.1	(15.4)
DAX	12,765	(0.5)	(1.1)	(2.6)	15.3	9.9
NIKKEI	22,920	0.2	(1.6)	0.7	12.4	10.7
Shanghai Comp	3,381	0.5	0.6	1.7	20.1	16.7
SENSEX	38,435	0.6	1.5	0.8	25.3	4.7
Brent (US\$/bbl)	44.35	(1.2)	(1.0)	2.4	26.2	(25.3)
Gold (US\$/oz)	1,940	(0.3)	(0.2)	2.8	11.9	27.1
CRB Index	386.5	0	1.2	3.8	5.7	(1.5)
Rogers Agri Index	720.0	0.1	1.6	3.7	8.9	5.6
LIBOR (3M)*	0.25	(1)	(2)	1	(12)	(189)
INR 5Y Swap*	5.48	11	14	22	35	(78)
<b>India FII data (US\$ mn)</b>						
	<b>20 Aug</b>	<b>19 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(148.5)	96.3	(113.6)	(160.0)	(14,687.6)	(4,928.1)
FII-Equity	(21.5)	147.0	1,911.2	5,499.5	4,211.3	10,814.3

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

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