

MACRO DAILY

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Macro developments

- India's services PMI slipped to 52.4 in Aug'19 from 53.8 in Jul'19. This was largely on account of softer pace of increase in new business inflows, particularly domestic orders. New export orders remained robust and hiring too increased despite rise in input cost (fuel, food & staff). Further, service providers remain optimistic about future business conditions.
- FDI inflows into India rose to US\$ 16.3bn in Q1FY20 (US\$ 10.8bn in Q4FY19), up by 28% on a YoY basis. Sector wise, FDI inflows into telecom sector surged to US\$ 4.2bn while inflows into services sector were also robust at US\$ 2.8bn. Singapore remained the largest source of FDI inflows into India at US\$ 5.3bn followed by Mauritius at US\$ 4.7bn.
- Services activity remained buoyant globally. Eurozone PMI rose to 53.5 in Aug'19 vs 53.2 in Jul'19 with Germany and Ireland recording the strongest gain. So was the case with Japan (near 2-year high of 53.3 vs 51.8 in Jul'19) and China (3-month high of 52.1 vs 51.6 in Jul'19). This was led by increase in new work. Despite faltering manufacturing activity, buoyant services activity has provided some respite to the ailing global growth conditions.

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Markets

- Bonds:** Barring China, global yields closed higher amidst progress in US-China trade talks and possibility of avoiding no-deal Brexit. US 10Y yield rose by 1bps (1.47%). Crude prices rose by 4.2% (US\$ 61/bbl) as news reports indicate that Russia is likely to commit to reign in production to support prices. India's 10Y yield rose by 3bps (6.55%). It is trading higher at 6.58% today.
- Currency:** Except JPY, other currencies closed higher. GBP rose by 1.4% as possibility of a no-deal Brexit faded. Positive global services PMI also helped ease growth concerns. INR rose by 0.4%. It opened further higher today in line with other Asian currencies.
- Equity:** Global indices closed higher as political tensions eased in Hong Kong and strong global services PMI. Dow gained by 0.9% led by rally in tech stocks. Sensex recovered and was up by 0.4% supported by DII inflow of Rs 13bn. It was 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 | 1.47 | 1 | (1) | (24) | (67) | (144) |
| UK | 0.49 | 9 | 5 | (2) | (37) | (95) |
| Japan | (0.28) | 1 | 0 | (9) | (15) | (39) |
| Germany | (0.67) | 3 | 4 | (16) | (45) | (105) |
| India | 6.55 | 3 | (2) | 16 | (38) | (150) |
| China | 3.05 | (2) | (1) | (2) | (20) | (58) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.43 | (2) | (7) | (14) | (43) | (122) |
| UK | 0.36 | 3 | 1 | (8) | (21) | (38) |
| Japan | (0.29) | (1) | 1 | (8) | (8) | (18) |
| Germany | (0.89) | 2 | (1) | (8) | (21) | (33) |
| India | 5.68 | (11) | (9) | (29) | (60) | (212) |
| China# | 2.58 | 0 | (1) | 0 | 6 | (26) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1035 | 0.6 | (0.4) | (1.5) | (1.7) | (5.1) |
| GBP | 1.2253 | 1.4 | 0.3 | 0.9 | (3.4) | (5.1) |
| JPY | 106.39 | (0.4) | (0.3) | (0.4) | 1.9 | 4.6 |
| AUD | 0.6797 | 0.5 | 0.9 | 0.6 | (2.5) | (5.5) |
| INR | 72.12 | 0.4 | (0.5) | (2.0) | (4.1) | (0.5) |
| CNY | 7.1460 | 0.5 | 0.3 | (1.4) | (3.4) | (4.6) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 26,355 | 0.9 | 1.2 | 2.5 | 3.2 | 1.5 |
| FTSE | 7,311 | 0.6 | 2.8 | 1.2 | 1.3 | (1.0) |
| DAX | 12,025 | 1.0 | 2.8 | 3.1 | 0.4 | (0.1) |
| NIKKEI | 20,649 | 0.1 | 0.8 | (0.3) | (0.6) | (8.6) |
| Shanghai Comp | 2,957 | 0.9 | 2.2 | 4.8 | 3.4 | 9.4 |
| SENSEX | 36,725 | 0.4 | (1.9) | 0.1 | (7.1) | (3.4) |
| Brent (US\$/bbl) | 60.70 | 4.2 | 0.3 | 1.5 | 0.1 | (21.4) |
| Gold (US\$/oz) | 1,553 | 0.4 | 0.9 | 6.1 | 16.7 | 29.7 |
| CRB Index | 387.4 | 0.3 | (0.8) | (3.0) | (6.5) | (5.5) |
| Rogers Agri Index | 679.5 | 0.4 | (1.1) | (4.1) | (8.5) | (12.7) |
| LIBOR (3M)* | 2.13 | (1) | 1 | (8) | (35) | (19) |
| INR 5Y Swap* | 6.06 | 0 | (13) | (50) | (60) | (147) |
| India FII data (US\$ mn) | | | | | | |
| | 3 Sep | 30 Aug | WTD | MTD | CYTD | FYTD |
| FII-Debt | 254.9 | 82.7 | 254.9 | 254.9 | 4,502.0 | 3,957.4 |
| FII-Equity | (438.1) | 80.1 | (438.1) | (438.1) | 6,767.9 | (77.3) |

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield

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