

MACRO DAILY

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Macro developments

- India's services PMI jumped back into expansion, rising to a 1-year high at 53.8 in Jul'19 from 49.6 in Jun'19. This was led by new orders which rose at the fastest pace in over 3 years, driven largely by foreign demand. This coupled with rising optimism about new business, resulted in higher employment since Mar'11. Composite PMI also rose to an 8-month high at 53.9 in Jul'19 (50.8 in Jun'19).
- Services activity in the Eurozone signalled expansion albeit at a slower pace of 53.2 in Jul'19 vs 53.6 in Jun'19. This was led by modest expansion in new orders and employment. Similar trend was observed for Japan, with services PMI at 51.8 in Jul'19 vs 51.9 in Jun'19. China's Caixin services PMI recorded its lowest level in the past 5-month at 51.6 in Jul'19, led by weaker pace of expansion in new business activity.
- US ISM non-manufacturing index fell to its lowest since Aug'16 at 53.7 in Jul'19 from 55.1 in Jun'19 (est. 55.5) as new orders shrank (54.1 vs 55.8). Slower domestic growth and trade war concerns weighed on businesses. Employment however ticked higher (56.2 vs 55) suggesting that labour market continues to remain strong.

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Markets

- Bonds:** Except India, global yields closed lower amidst trade war tensions as China retaliated by suspending agriculture product purchases. US 10Y yield fell by (-) 14bps (1.71%). Crude prices declined by (-) 3.4% (US\$ 60/bbl). India's 10Y yield rose by 4bps (6.39%) as tensions persisted over the resolution to revoke Article 370 in the Rajya Sabha. It is trading lower at 6.36% today.
- Currency:** Except EUR and JPY, other global currencies closed lower as US-China trade war escalated. CNY fell sharply by (-) 1.6% to its lowest since Mar'08. INR also depreciated by (-) 1.6%, registering its steepest single day fall in almost 6 years. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices ended lower as trade war escalated with China retaliating against US tariffs. Dow tumbled by (-) 2.9%, followed by FTSE (-2.5%). Sensex too ended in red (-1.1%) over domestic tensions. However, it is trading higher today, while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.71	(14)	(36)	(33)	(76)	(123)
UK	0.51	(4)	(14)	(23)	(71)	(79)
Japan	(0.19)	(3)	(5)	(4)	(15)	(30)
Germany	(0.52)	(2)	(13)	(15)	(52)	(91)
India	6.39	4	(2)	(30)	(100)	(138)
China	3.07	(4)	(12)	(11)	(30)	(40)
2Y yields (Δ bps)						
US	1.57	(14)	(28)	(29)	(72)	(107)
UK	0.44	0	(3)	(13)	(36)	(29)
Japan	(0.21)	(1)	(1)	0	(6)	(11)
Germany	(0.81)	(2)	(5)	(6)	(22)	(22)
India	5.96	1	(8)	(21)	(81)	(154)
China#	2.55	(1)	(4)	(3)	(7)	(14)
Currencies (Δ %)						
EUR	1.1203	0.9	0.5	(0.2)	0	(3.0)
GBP	1.2143	(0.2)	(0.6)	(3.0)	(7.3)	(6.2)
JPY	105.95	0.6	2.6	2.3	4.3	4.9
AUD	0.6756	(0.7)	(2.1)	(3.2)	(3.4)	(8.5)
INR	70.73	(1.6)	(2.9)	(3.4)	(1.9)	(2.7)
CNY	7.0507	(1.6)	(2.3)	(2.3)	(4.2)	(2.9)
Equity & Other indices (Δ %)						
DOW	25,718	(2.9)	(5.5)	(4.5)	(2.7)	0.8
FTSE	7,224	(2.5)	(6.0)	(4.4)	(2.1)	(5.7)
DAX	11,659	(1.8)	(6.1)	(7.2)	(5.1)	(7.5)
NIKKEI	20,720	(1.7)	(4.1)	(4.7)	(6.9)	(7.9)
Shanghai Comp	2,821	(1.6)	(4.1)	(6.3)	(2.9)	4.3
SENSEX	36,700	(1.1)	(2.6)	(7.1)	(4.9)	(2.6)
Brent (USD/bbl)	59.81	(3.4)	(6.1)	(6.9)	(16.0)	(18.9)
Gold (USD/oz)	1,464	1.6	2.6	4.6	14.3	21.2
CRB Index	399.4	(0.2)	(1.9)	(1.2)	(4.3)	(6.4)
Rogers Agri Index	708.5	(0.3)	(3.7)	(5.0)	(0.6)	(13.8)
LIBOR (3M)*	2.24	(5)	(2)	(7)	(32)	(10)
INR 5Yr Swap*	6.56	0	(2)	(7)	(69)	(109)
India FII data (US\$ mn)						
	2 Aug	1 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	144.6	(159.2)	128.5	(14.5)	2,639.4	2,094.8
FII-Equity	(416.4)	(169.0)	(950.7)	(585.3)	8,819.3	1,974.1

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1 year yield as on 2 Aug 2019

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