

MACRO DAILY

07 July 2020

Macro developments

- As per news reports, central government has extended the 15% spending limit for various departments to Q2FY21 as well. In Q1, directive was issued to departments such as commerce, industry, etc, to curb their expenditure at 15% of FY21BE against 25% allowed every year. This is expected to save Rs 2.8tn in H1FY21, amount similar to stimulus announced so far. Despite maintaining expenditure at budgeted levels, government is estimated to see 6.5% of fiscal deficit in FY21, largely owing to revenue shortfalls.
- Services activity in the US gained traction in Jun'20. ISM non-manufacturing PMI print rose to 57.1 in Jun'20 (est.: 50) from 45.4 in May'20. This jump in the reading comes after two successive months of contraction due to COVID-19. This was on the back of improved business outlook and employment scenario.
- Eurozone retail sales rebounded more than anticipated to 17.8% in May'20 from a decline of 12.1% in Apr'20 on a MoM basis. This was led by across the board jump with sharpest increase in automobile products (38.4% in May'20) and non-food products (34.5%). The bounce back signals a possible recovery as countries began to reopen and ease restrictions.

Dipanwita Mazumdar

dipanwita.mazumdar@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed due to rising cases in the US and trade tensions between US-China. China's 10Y yield rose the most by 13bps supported by buoyant macro data. US 10Y yield rose by 1bps (0.68%) due to rebounding services activity. Crude prices rose by 0.7% (US\$ 43/bbl). India's 10Y yield fell by 1bps (5.84%). It is trading at 5.85% today.
- Currency:** Global currencies closed higher as risk sentiment improved on the back of better than expected US non-manufacturing PMI. DXY fell by 0.5%. CNY appreciated sharply by 0.7% to a 3-month high on hopes of a strong economic recovery in China. INR closed flat. However, it is trading lower today in line with other Asian currencies.
- Equity:** Global indices ended higher on the back of progress made towards COVID-19 vaccine and strong data print from EU (retail sales). Shanghai Comp soared by 5.7% as investors anticipated possible 'bulls sentiment' in the market. Sensex (1.3%) too ended in green with auto 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 |
|---|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 0.68 | 1 | 5 | (22) | 1 | (137) |
| UK | 0.20 | 1 | 4 | (15) | (13) | (51) |
| Japan | 0.04 | 1 | 2 | (1) | 2 | 19 |
| Germany | (0.43) | 0 | 4 | (15) | (1) | (7) |
| India | 5.84 | (1) | (7) | 7 | (58) | (73) |
| China | 3.03 | 13 | 18 | 17 | 53 | (15) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.16 | 0 | 1 | (5) | (11) | (173) |
| UK | (0.07) | 1 | 2 | (8) | (18) | (62) |
| Japan | (0.13) | 0 | 0 | 0 | (2) | 8 |
| Germany | (0.68) | 0 | 1 | (8) | (4) | 6 |
| India | 4.15 | (1) | (9) | (30) | (121) | (197) |
| China | 2.09 | 3 | (4) | 5 | 73 | (49) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1309 | 0.5 | 0.6 | 0.2 | 4.8 | 0.8 |
| GBP | 1.2492 | 0.1 | 1.6 | (1.4) | 2.1 | (0.2) |
| JPY | 107.35 | 0.1 | 0.2 | 2.0 | 1.7 | 1.3 |
| AUD | 0.6973 | 0.5 | 1.6 | 0.1 | 14.5 | 0 |
| INR | 74.68 | 0 | 1.2 | 1.2 | 1.2 | (8.8) |
| CNY | 7.0188 | 0.7 | 0.9 | 0.9 | 0.4 | (2.0) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 26,287 | 1.8 | 2.7 | (3.0) | 15.9 | (1.9) |
| FTSE | 6,286 | 2.1 | 1.0 | (3.1) | 12.6 | (16.7) |
| DAX | 12,733 | 1.6 | 4.1 | (0.9) | 26.4 | 1.5 |
| NIKKEI | 22,714 | 1.8 | 3.3 | (0.7) | 22.3 | 5.5 |
| Shanghai Comp | 3,333 | 5.7 | 12.5 | 13.7 | 18.2 | 13.6 |
| SENSEX | 36,487 | 1.3 | 4.4 | 6.4 | 21.4 | (5.8) |
| Brent (US\$/bbl) | 43.10 | 0.7 | 3.3 | 1.9 | 30.4 | (32.8) |
| Gold (US\$/oz) | 1,785 | 0.5 | 0.7 | 5.9 | 7.4 | 27.9 |
| CRB Index | 361.7 | 0.3 | 0.8 | (2.1) | (0.5) | (10.6) |
| Rogers Agri Index | 685.3 | 0.5 | 3.0 | (0.0) | 5.9 | (8.0) |
| LIBOR (3M)* | 0.28 | (3) | (2) | (4) | (108) | (206) |
| INR 5Y Swap* | 5.32 | 4 | 4 | 21 | (91) | (119) |
| India FII data (US\$ mn) | | | | | | |
| | 03 Jul | 02 Jul | WTD | MTD | CYTD | FYTD |
| FII-Debt | (17.2) | (16.3) | 140.5 | 14.5 | (14,267.5) | (4,508.0) |
| FII-Equity | 83.0 | (43.9) | (454.8) | (183.8) | (2,625.3) | 3,977.7 |

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com