

## MACRO DAILY

04 February 2020

### Macro developments

- India's manufacturing PMI rose to a near 8-year high of 55.3 in Jan'20 from 52.7 in Dec'19. This was on the back of sharp rise in new orders and strengthening demand from external markets. Employment activity too rose to a 7.5-year high. With lowering of input costs, overall margins are likely to improve. Against this backdrop, businesses remained optimistic for higher demand and capacity expansion in the year-ahead.
- Manufacturing activity in Eurozone and Japan contracted at a slower pace in Jan'20. Eurozone PMI reached 47.9 from 46.3 in Dec'19, due to slower decline in Germany (45.3 vs 43.7) and improvement in France (51.1 vs 50.4). In Japan too, PMI rose to 48.8 vs 48.4. In both regions, easing was led by slowdown in fall of new orders, in particular new export orders.
- US ISM manufacturing PMI increased to its highest since Jul'19 at 50.9 in Jan'20 vs 47.8 in Dec'19. This was the first expansion in 6-months and was led by a jump in new orders (52 vs 47.6) and production (54.3 vs 44.8). Businesses were optimistic as US-China trade tensions subsided. However, the coronavirus outbreak weighs heavily on the outlook for the sector.

**Aditi Gupta**

aditi.gupta3@bankofbaroda.com

**Sameer Narang**

+91 22 6698 5713

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (1.53%) on the back of buoyant manufacturing data. Oil prices fell by (-) 6.4% (US\$ 54/bbl) on fears of coronavirus. India's 10Y yield fell by 10bps (6.51%) as sticking to the same gross borrowing plan of Rs 7.1tn in FY20 and a slightly higher plan of Rs 7.8tn in FY21 was perceived well by the bond markets. It is trading at 6.5% today.
- Currency:** Global currencies closed lower. DXY rose by 0.4% as US manufacturing activity rebounded in Jan'20. CNY fell sharply by (-) 1.1%. GBP also depreciated by (-) 1.6% as the EU and UK negotiated on Brexit terms. INR is trading higher today in line with other Asian currencies.
- Equity:** Except Nikkei and Shanghai, other global indices ended higher. Dow rose by 0.5% with better than expected US ISM manufacturing. Shanghai Comp tumbled (-) 7.7% on fears of the coronavirus outbreak. Sensex inched up by 0.3% with auto and real estate stocks gaining the most. It opened higher today while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.53	2	(8)	(26)	(25)	(120)
UK	0.51	(1)	1	(23)	(21)	(76)
Japan	(0.06)	1	(1)	(5)	12	(5)
Germany	(0.44)	(1)	(6)	(16)	(9)	(62)
India	6.51	(10)	(5)	(1)	3	(90)
China	3.00	(2)	(9)	(14)	(29)	(11)
<b>2Y yields (Δ bps)</b>						
US	1.35	4	(9)	(17)	(23)	(118)
UK	0.48	(3)	7	(8)	(7)	(31)
Japan	(0.14)	1	0	(1)	13	3
Germany	(0.67)	0	(4)	(5)	(2)	(10)
India	6.02	(5)	(7)	27	50	(101)
China	2.23	(7)	(5)	(42)	(44)	(17)
<b>Currencies (Δ %)</b>						
EUR	1.1060	(0.3)	0.4	(0.9)	(0.6)	(3.3)
GBP	1.2995	(1.6)	(0.5)	(0.7)	0.9	(0.3)
JPY	108.69	(0.3)	0.2	(0.6)	(0.1)	1.1
AUD	0.6692	0	(1.0)	(3.7)	(2.8)	(7.4)
INR	71.35	0	0.1	0.6	(0.8)	0.6
CNY	7.0215	(1.1)	(2.1)	(0.8)	0.1	(4.1)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,400	0.5	(0.5)	(0.8)	3.4	12.5
FTSE	7,326	0.6	(1.2)	(3.9)	(0.6)	4.2
DAX	13,045	0.5	(1.2)	(1.3)	(0.7)	16.7
NIKKEI	22,972	(1.0)	(1.6)	(3.2)	(1.2)	10.0
Shanghai Comp	2,747	(7.7)	(10.7)	(10.9)	(7.7)	4.9
SENSEX	39,872	0.3	(3.1)	(3.8)	(1.1)	9.0
Brent (US\$/bbl)	54.45	(6.4)	(8.2)	(20.6)	(12.4)	(12.9)
Gold (US\$/oz)	1,577	(0.8)	(0.3)	1.6	4.4	20.2
CRB Index	403.7	(0.1)	(0.6)	0.7	3.4	(2.4)
Rogers Agri Index	731.6	(0.5)	(1.8)	(3.0)	0.3	(6.1)
LIBOR (3M)*	1.75	(1)	(2)	(12)	(16)	(98)
INR 5Y Swap*	6.60	(11)	(4)	(3)	2	(64)
<b>India FII data (US\$ mn)</b>						
	<b>31 Jan</b>	<b>30 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(15.3)	43.2	(126.7)	(1,568.9)	(1,568.9)	1,375.3
FII-Equity	(611.9)	87.6	(861.5)	1,372.6	1,372.6	8,761.9

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

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For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

+91 22 6698 5713

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)