

MACRO DAILY

15 May 2020

Macro developments

- The second stimulus was worth Rs 3.2tn, of which farmers have got benefit of Rs 2.3tn in the form of higher credit allocation. Real estate sector will see incremental spending of Rs 700bn. Migrants and vendors will benefit from foodgrain allotment and credit to restart operations. Government has also streamlined changes to labour code which is positive for consumption.
- RBI sold net US\$ 4.1bn in Mar'20 in the spot market versus net purchase of US\$ 9.1bn in Feb'20. In FY20, RBI purchased US\$ 45.1bn in the spot market versus net sales of US\$ 15.4bn in FY19. In the forwards market, RBI sold US\$ 2.6bn versus US\$ 1.1bn in Feb'20. RBI's net outstanding forward sales position is at US\$ 4.9bn versus US\$ 2.3bn in Feb'20.
- China's industrial production rose by 3.9% in Apr'20 (est.: 1.5%) compared with 1.1% decline in Mar'20, led by 5% growth in manufacturing sector versus 1.8% drop in Mar'20. This was partly also on account of lower base. Retail sales on the other hand fell by 7.5% in Apr'20 versus 15.8% drop in Mar'20 as demand remains weak. FAI contracted by 10.3% in Jan-Apr'20 versus 16.1% decline in Jan-Mar'20, implying improvement in Apr'20.

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Markets

- **Bonds:** Global yields broadly closed lower amidst worries over fresh COVID-19 cases. US 10Y yield fell by 3bps (0.62%) amidst dismal jobless claims print. Crude prices rose by 6.6% (US\$ 31/bbl) as IEA predicted inventory would fall in H2CY20. India's 10Y yield fell by 4bps (6.06%) on expectation of more stimulus from RBI. It is trading at 6.1% today.
- **Currency:** Barring AUD, other global currencies closed lower as dollar strengthened. DXY rose by 0.2% on account of rising US-China trade tensions and emergence of second wave of COVID-19. INR ended 0.1% lower. However, it is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Except Dow, other global indices ended lower with US Fed expecting a faded recovery in near term. Both FTSE and Sensex dropped by 2.8% followed by Dax (2%). The fall in domestic markets was led by subdued global cues and was further dragged down by tech and metal stocks. It is trading lower today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.62	(3)	(2)	(15)	(100)	(177)
UK	0.20	0	(3)	(10)	(45)	(87)
Japan	0	0	(1)	(3)	3	6
Germany	(0.54)	(1)	0	(20)	(16)	(45)
India	6.06	(4)	3	(44)	(37)	(132)
China	2.69	0	7	13	(14)	(58)
2Y yields (Δ bps)						
US	0.15	(1)	1	(10)	(130)	(205)
UK	(0.03)	0	(2)	(7)	(59)	(75)
Japan	(0.15)	0	(1)	1	0	1
Germany	(0.74)	(1)	2	(12)	(10)	(10)
India	4.51	1	12	(71)	(124)	(217)
China	1.21	(1)	3	1	(102)	(139)
Currencies (Δ %)						
EUR	1.0805	(0.1)	(0.3)	(1.0)	(0.3)	(3.3)
GBP	1.2230	0	(1.1)	(2.3)	(6.3)	(4.4)
JPY	107.25	(0.2)	(0.9)	0.5	2.3	2.4
AUD	0.6462	0.1	(0.5)	1.3	(3.8)	(6.2)
INR	75.57	(0.1)	0.3	0.9	(5.9)	(7.9)
CNY	7.0957	0	(0.2)	(0.6)	(1.7)	(3.1)
Equity & Other indices (Δ %)						
Dow	23,625	1.6	(1.0)	1.0	(19.7)	(8.7)
FTSE	5,742	(2.8)	(3.3)	(1.7)	(23.0)	(21.9)
DAX	10,337	(2.0)	(3.9)	(2.2)	(24.8)	(16.0)
NIKKEI	19,915	(1.7)	1.2	4.6	(16.4)	(5.5)
Shanghai Comp	2,870	(1.0)	0	3.1	(1.2)	(2.9)
SENSEX	31,123	(2.8)	(1.0)	1.4	(24.9)	(16.8)
Brent (US\$/bbl)	31.13	6.6	5.7	(1.9)	(44.7)	(57.1)
Gold (US\$/oz)	1,730	0.8	0.8	0.9	9.8	34.5
CRB Index	364.1	0.4	1.7	2.8	(9.4)	(12.0)
Rogers Agri Index	654.1	0.2	(0.4)	0.3	(11.4)	(8.8)
LIBOR (3M)*	0.39	(3)	(4)	(83)	(130)	(213)
INR 5Y Swap*	5.16	(9)	(10)	(81)	(127)	(187)
India FII data (US\$ mn)						
	13 May	12 May	WTD	MTD	CYTD	FYTD
FII-Debt	(50.7)	(565.3)	(1,048.9)	(1,444.1)	(12,787.8)	(3,028.3)
FII-Equity	17.4	(242.7)	(139.5)	2,242.0	(4,391.5)	2,211.5

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

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