

MACRO DAILY

18 May 2020

Macro developments

- In the last tranche of the fiscal package, the FM announced a 2% rise in state borrowings. Centre's gross borrowing is at Rs 12tn. This will likely offset revenue loss from lockdown. The Rs 21tn stimulus announced by FM focusing on MSMEs, agri, coal infra and power sector will provide liquidity. The reforms to usher in private sector participation in mining, power distribution and privatisation of PSEs will kickstart the investment cycle.
- Japan's GDP contracted by 3.4% in Q1CY20 (QoQ) compared with 7.3% decline in Q4CY19, thus slipping into a technical recession. While Q4 print was marred by disruptions due to typhoons and consumption slump due to tax increase, Q1 print shows the impact of COVID-19. Exports fell the most (21.6%), followed by private residential investment (16.9%) and private consumption (2.8%).
- Germany's GDP contracted by 2.2% in Q1CY20 (QoQ) versus 0.1% decline in Q4CY19. Current print is the lowest since Q1CY09 and was led by sharp reduction in household consumption, GFCF in machinery and equipment and exports. On the other hand, GFCE contributed positively to growth. Government expects a further 10% decline in GDP in Q2.

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Markets

- Bonds:** Except China, global yields closed higher on the back of concerns over US-China trade dispute. Elsewhere, macro prints remained dismal globally. US 10Y yield rose by 2bps to 0.64%. Crude prices rose by 4.4% (US\$ 33/bbl) as EIA reported drawdown in US inventory. India's 10Y yield rose by 2bps (6.08%) amidst fiscal concerns. It is trading at 6.06% today.
- Currency:** Global currencies closed mixed. DXY edged lower by 0.1% as US retail sales fell more than expected in Apr'20. AUD depreciated by 0.8% amidst trade tensions between US and China. GBP too fell by 0.9% as UK and EU negotiated a trade deal. INR closed flat. However, it is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp and Sensex, other global indices higher as countries begin to ease restrictions and reopen gradually. Dax (1.2%) gained the most followed by FTSE (1%). However, Sensex ended in red as stimulus announcement failed to cheer investor sentiments. It is trading lower today while other Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.64	2	(4)	(11)	(94)	(175)
UK	0.23	3	0	(11)	(40)	(80)
Japan	0.00	0	0	(3)	3	5
Germany	(0.53)	1	1	(15)	(13)	(43)
India	6.08	2	11	(42)	(29)	(128)
China	2.66	(3)	5	11	(21)	(61)
2Y yields (Δ bps)						
US	0.15	0	(1)	(7)	(128)	(205)
UK	(0.00)	3	0	(8)	(55)	(70)
Japan	(0.15)	0	1	0	(1)	1
Germany	(0.73)	1	5	(7)	(7)	(8)
India	4.50	0	14	(71)	(121)	(216)
China	1.21	0	1	0	(102)	(140)
Currencies (Δ %)						
EUR	1.0820	0.1	(0.2)	(1.5)	(0.1)	(3.0)
GBP	1.2116	(0.9)	(2.4)	(4.0)	(7.1)	(4.8)
JPY	107.06	0.2	(0.4)	0.1	2.5	2.7
AUD	0.6413	(0.8)	(1.8)	(0.5)	(4.5)	(6.6)
INR	75.58	0	0	0.9	(5.9)	(7.6)
CNY	7.1019	(0.1)	(0.4)	(0.7)	(1.6)	(2.7)
Equity & Other indices (Δ %)						
Dow	23,685	0.3	(2.7)	(1.1)	(19.4)	(8.1)
FTSE	5,800	1.0	(2.3)	0.1	(21.7)	(21.1)
DAX	10,465	1.2	(4.0)	(2.2)	(23.9)	(14.5)
NIKKEI	20,037	0.6	(0.7)	2.0	(15.4)	(5.7)
Shanghai Comp	2,868	(0.1)	(0.9)	1.5	(1.7)	(0.5)
SENSEX	31,098	(0.1)	(1.7)	1.3	(24.6)	(18.0)
Brent (US\$/bbl)	32.50	4.4	4.9	9.8	(43.3)	(55.0)
Gold (US\$/oz)	1,744	0.8	2.4	1.0	10.1	36.5
CRB Index	363.0	(0.3)	0.6	2.6	(9.5)	(12.0)
Rogers Agri Index	657.5	0.5	(0.4)	1.4	(10.8)	(7.7)
LIBOR (3M)*	0.39	(1)	(5)	(79)	(131)	(214)
INR 5Y Swap*	5.18	2	(6)	(79)	(120)	(185)
India FII data (US\$ mn)						
	14 May	13 May	WTD	MTD	CYTD	FYTD
FII-Debt	(746.5)	(50.7)	(1,795.4)	(2,190.6)	(13,534.3)	(3,774.8)
FII-Equity	(314.0)	17.4	(453.5)	1,928.0	(4,705.5)	1,897.5

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

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