

MACRO DAILY

19 June 2020

Macro developments

- Outlook on India's long-term foreign currency Issuer Default Rating (IDR) has been revised to 'negative' from 'stable' by Fitch ratings, while maintaining rating at 'BBB-'. This is on account of COVID-19 pandemic hurting growth and concerns over high public debt burden. Fitch estimates FY21 GDP to contract by 5% before rebounding to 9.5% in FY22.
- ADB estimates India's GDP growth to contract by 4% in FY21 due to the COVID-19 pandemic. While exports and investment remain weak, unavailability of migrant workers even after lockdown restrictions are lifted will also impact growth. However, growth is expected to rebound to 5% in FY22. Developing Asia is expected to grow by only 0.1% in CY20, due to weak global demand and disruptions in economic activity.
- Bank of England (BoE) in its latest policy kept bank rate unchanged at 0.1%. However, it pumped in £ 100bn liquidity through its quantitative easing program (QE), taking the total quantum to £ 745bn. It sounded more upbeat on growth estimates, which were projected to be lower by 20% as against its earlier forecast of 27% contraction.

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Markets

- **Bonds:** Apart from UK and China, global yields closed lower due to fear of second wave of COVID-19 infection. US 10Y yield fell by 3bps (0.71%) as jobless claims were higher than expected. Crude prices fell by 0.1% (US\$ 41/bbl). India's 10Y yield fell by 3bps (5.98%) amidst expectation of stimulus from RBI. It is trading flat today.
- **Currency:** Except INR (flat) and JPY, other global currencies closed lower against the dollar. DXY rose by 0.3% on concerns over rising COVID-19 cases globally. AUD fell by 0.5% as Australia's unemployment rate rose to a 19-year high at 7.1% in May'20. INR is trading further lower today, while other Asian currencies are trading higher.
- **Equity:** Barring Shanghai Comp and Sensex, other global indices ended lower amidst the resurgence of COVID-19 cases in China. Dax (0.8%) declined the most followed by FTSE (0.5%). Sensex rose by 2.1% led by positive developments over Supreme Court's ruling on AGR dues. Strong gains were seen in banking stocks. It is trading higher today while 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	0.71	(3)	0	8	0	(137)
UK	0.22	4	1	(3)	(23)	(65)
Japan	0.01	(1)	(1)	1	(1)	13
Germany	(0.44)	(2)	0	9	2	(20)
India	5.98	(3)	(1)	19	(24)	(96)
China	2.90	0	11	15	14	(43)
2Y yields (Δ bps)						
US	0.19	0	(1)	4	(17)	(168)
UK	(0.05)	2	0	(4)	(31)	(65)
Japan	(0.16)	1	(2)	(2)	0	3
Germany	(0.67)	1	(2)	7	23	3
India	4.35	(6)	(9)	(11)	(102)	(184)
China	1.96	(1)	(6)	75	3	(74)
Currencies (Δ %)						
EUR	1.1206	(0.3)	(0.8)	4.6	1.3	0.9
GBP	1.2424	(0.8)	(1.4)	4.0	2.7	0.6
JPY	106.81	0.2	0.1	(0.3)	(1.4)	1.1
AUD	0.6852	(0.5)	0	7.9	13.1	1.0
INR	76.15	0	(0.5)	(0.6)	(2.4)	(8.8)
CNY	7.0892	(0.1)	(0.3)	0.2	(1.4)	(2.4)
Equity & Other indices (Δ %)						
Dow	26,080	(0.2)	3.8	8.8	27.6	(1.3)
FTSE	6,224	(0.5)	2.4	4.6	17.7	(17.6)
DAX	12,281	(0.8)	2.6	13.8	36.3	(1.4)
NIKKEI	22,355	(0.4)	(0.5)	7.5	26.6	1.9
Shanghai Comp	2,939	0.1	0.6	0.8	3.6	0.1
SENSEX	34,208	2.1	2.0	6.9	5.9	(14.7)
Brent (US\$/bbl)	40.65	(0.1)	5.4	22.2	32.2	(34.8)
Gold (US\$/oz)	1,725	(0.3)	1.6	(1.1)	13.9	28.8
CRB Index	364.3	(0.5)	(1.3)	0.4	(4.3)	(11.7)
Rogers Agri Index	671.5	(0.4)	(2.0)	2.1	3.0	(12.7)
LIBOR (3M)*	0.32	1	1	(6)	(57)	(210)
INR 5Y Swap*	5.20	(2)	7	2	(46)	(157)
India FII data (US\$ mn)						
	17 Jun	16 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(62.4)	(67.6)	(151.8)	(434.9)	(14,490.2)	(4,730.7)
FII-Equity	102.0	(195.0)	(443.0)	2,486.7	(2,427.8)	4,175.1

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

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