

MACRO DAILY

20 May 2020

Macro developments

- India's exports are expected to fall by 20% in FY21 (decline of 4.3% in FY20) as per estimates by FIEO. In value terms, exports are likely to be lower by US\$ 50-60bn. This will have a significant impact on employment in the sector. Already in Apr'20, exports have contracted by 60%. In order to combat the crisis, exporters are demanding 2% extra support under MEIS for all exports and 4% for labour intensive sectors such as leather.
- US housing starts fell by 30.2% in Apr'20 on a MoM basis to 0.9mn units from 1.3mn units in Mar'20 (18.6% decline). While homebuilding was classified as essential in many states, worker shortage and supply chain disruptions in building materials had a negative impact on the activity. Permits for future construction also declined by 20.8% in Apr'20
- Germany's ZEW expectation index rose sharply to 51 in May'20 from 28.2 in Apr'20. According to analysts, growth is expected to pick up from Q4CY20. However, impact of COVID-19 continued to keep the current situation index print negative at 93.5 in May'20.

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Markets

- Bonds:** Apart from Japan and China, global yields closed lower on the back of comments by Fed Chair that US GDP can contract sharply in Q2CY20. US 10Y yield fell by 3bps (0.70%) as housing data remained disappointing. Crude prices rose by 0.5% (US\$ 35/bbl) amidst production cut. India's 10Y yield fell by 2bps (6.03%). It is trading at 6.02% today.
- Currency:** Barring JPY, other global currencies closed higher amidst an improvement in risk sentiment. Hopes of a COVID-19 vaccine and setting up of the EU recovery fund boosted sentiments. Safe-haven JPY and DXY fell by 0.6% and 0.3% respectively. INR rose by 0.4%. It is trading lower today in line with other Asian currencies.
- Equity:** Except Dow and FTSE, other global indices ended higher on hopes of COVID-19 vaccine. Nikkei (1.5%) surged the most followed by Shanghai Comp (0.8%). Sensex (0.6%) too ended in green supported by DII inflow of Rs 16.6bn. It is trading higher 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 | 0.70 | (3) | 3 | (11) | (94) | (175) |
| UK | 0.25 | (1) | 0 | (11) | (40) | (80) |
| Japan | (0.00) | 0 | 0 | (3) | 3 | 5 |
| Germany | (0.47) | 0 | 3 | (15) | (13) | (43) |
| India | 6.03 | (2) | (14) | (42) | (29) | (128) |
| China | 2.73 | 3 | 8 | 11 | (21) | (61) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.17 | (1) | 1 | (7) | (128) | (205) |
| UK | (0.04) | (3) | (3) | (8) | (55) | (70) |
| Japan | (0.17) | 0 | (3) | (0) | (1) | 1 |
| Germany | (0.69) | 2 | 3 | (7) | (7) | (8) |
| India | 4.52 | 2 | 2 | (71) | (121) | (216) |
| China | 1.21 | 1 | (3) | 0 | (102) | (140) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.0945 | 0.8 | 0.9 | (1.5) | (0.1) | (3.0) |
| GBP | 1.2253 | 0.5 | (0.1) | (4.0) | (7.1) | (4.8) |
| JPY | 107.94 | (0.6) | (0.7) | 0.1 | 2.5 | 2.7 |
| AUD | 0.6537 | 0.2 | 1.0 | (0.5) | (4.5) | (6.6) |
| INR | 75.64 | 0.4 | (0.2) | 0.9 | (5.9) | (7.6) |
| CNY | 7.0989 | 0.1 | (0.2) | (0.7) | (1.6) | (2.7) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 24,207 | (1.6) | 1.9 | (1.1) | (19.4) | (8.1) |
| FTSE | 11,075 | (0.8) | 0.1 | 0.1 | (21.7) | (21.1) |
| DAX | 20,433 | 0.1 | 2.4 | (2.2) | (23.9) | (14.5) |
| NIKKEI | 20,433 | 1.5 | 0.3 | 2.0 | (15.4) | (5.7) |
| Shanghai Comp | 2,899 | 0.8 | 0.2 | 1.5 | (1.7) | (0.5) |
| SENSEX | 30,196 | 0.6 | (3.7) | 1.3 | (24.6) | (18.0) |
| Brent (US\$/bbl) | 34.98 | 0.5 | 16.7 | 9.8 | (43.3) | (55.0) |
| Gold (US\$/oz) | 24,597 | 3.9 | 1.5 | (1.1) | (19.4) | (8.1) |
| CRB Index | 6,049 | 4.3 | 1.8 | 0.1 | (21.7) | (21.1) |
| Rogers Agri Index | 11,059 | 5.7 | 2.2 | (2.2) | (23.9) | (14.5) |
| LIBOR (3M)* | 20,134 | 0.5 | (1.3) | 2.0 | (15.4) | (5.7) |
| INR 5Y Swap* | 2,875 | 0.2 | (0.7) | 1.5 | (1.7) | (0.5) |
| India FII data (US\$ mn) | | | | | | |
| | 18 May | 15 May | WTD | MTD | CYTD | FYTD |
| FII-Debt | (201.7) | 127.8 | (201.7) | (2,264.5) | (13,608.2) | (3,848.7) |
| FII-Equity | (332.2) | (332.3) | (332.2) | 1,263.6 | (5,369.9) | 1,233.1 |

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

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