

MACRO DAILY

21 May 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 193.6bn and stood at Rs 25.9tn for the week ended 15 May 2020. Reserve money rose by 10% on a YoY basis compared with 13.5% a year ago. On a FYTD basis, reserve money increased by 2.2% as against 1.7% last year.
- Japan's exports fell by 21.9% in Apr'20 (lowest since Oct'09) compared with a decline of 11.7% in Mar'20. This was driven by steep fall in exports to US (37.8% versus 16.5%), W. Europe (30.4% versus 13.2%) and Asia (11.4% versus 9.4%). Exports of chemical materials, cars and car parts, and medicines were hit the most.
- US Fed minutes highlighted considerable uncertainty to overall economic outlook due to COVID-19. Further, a second wave of infection could induce sharp contraction in GDP, rise in unemployment and downward pressure on inflation. It also pointed out potential for bankruptcies from non-financial companies. Fed also reassured measures to fulfil its goal of full employment and price stability.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except Japan and India, global yields closed lower as macro data remained weak globally. US Fed also warned of downside risks to growth and fear of second wave of infection. US 10Y fell by 1bps (0.68%). Crude prices rose by 3.2% (US\$ 36/bbl) due to fall in US inventory. India's 10Y yield rose by 1bps (6.04%). It is trading at 6.05% today.
- **Currency:** Apart from INR and GBP, other global currencies closed higher. EUR edged up for the 4th straight session buoyed by setting up of the common France-German recovery fund. DXY fell by 0.2%. INR depreciated by 0.2% amidst FII outflows. It is trading higher today in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp, other global indices ended higher amidst reopening of major economies and hopes of COVID-19 vaccine. Sensex (2.1%) gained the most supported by DII inflow of Rs 23.7bn. Capital goods and FMCG stocks gained the most. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.68	(1)	3	4	(89)	(170)
UK	0.23	(2)	2	(8)	(37)	(79)
Japan	0.01	0	1	(2)	5	6
Germany	(0.47)	0	6	0	(5)	(38)
India	6.04	1	(6)	(31)	(35)	(122)
China	2.67	(7)	(1)	12	(21)	(65)
2Y yields (Δ bps)						
US	0.16	0	0	(4)	(126)	(206)
UK	(0.02)	1	1	(11)	(54)	(71)
Japan	(0.15)	1	0	(2)	1	0
Germany	(0.67)	0	6	1	(3)	(4)
India	4.52	0	2	(30)	(117)	(205)
China	1.37	13	15	16	(86)	(123)
Currencies (Δ %)						
EUR	1.0980	0.5	1.5	1.0	1.6	(1.5)
GBP	1.2245	(0.1)	0.1	(2.0)	(5.2)	(3.3)
JPY	107.53	0.2	(0.5)	0	3.4	2.6
AUD	0.6597	0.9	2.2	3.6	(1.2)	(4.1)
INR	75.80	(0.2)	(0.5)	0.8	(5.9)	(8.8)
CNY	7.0935	0.1	0	(0.3)	(1.4)	(2.7)
Equity & Other indices (Δ %)						
Dow	24,576	1.5	5.7	1.4	(16.3)	(4.7)
FTSE	6,067	1.1	2.8	4.8	(18.6)	(17.3)
DAX	11,224	1.3	6.5	5.6	(18.6)	(7.8)
NIKKEI	20,595	0.8	1.6	3.5	(12.0)	(3.2)
Shanghai Comp	2,884	(0.5)	(0.5)	1.6	(3.1)	(0.3)
SENSEX	30,819	2.1	(3.7)	(2.4)	(25.4)	(21.2)
Brent (US\$/bbl)	35.75	3.2	22.5	27.3	(39.5)	(49.6)
Gold (US\$/oz)	1,748	0.2	1.9	3.9	8.5	37.3
CRB Index	368.8	0.2	1.7	5.1	(8.5)	(10.8)
Rogers Agri Index	666.3	0.4	2.1	3.2	(10.6)	(7.8)
LIBOR (3M)*	0.37	0	(5)	(73)	(132)	(215)
INR 5Y Swap*	5.16	3	(9)	(41)	(126)	(178)
India FII data (US\$ mn)						
	19 May	18 May	WTD	MTD	CYTD	FYTD
FII-Debt	(116.8)	(201.7)	(318.5)	(2,381.3)	(13,725.0)	(3,965.5)
FII-Equity	(176.3)	(332.2)	(508.5)	1,087.3	(5,546.2)	1,056.7

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