

MACRO DAILY

09 June 2020

Macro developments

- World Bank expects India's GDP growth to contract by 3.2% in FY21 as lockdown measures to curtail COVID-19 derail economic activity. Further, weakness in global economy and stress in the financial sector will also have a dampening effect on growth with a possible recovery in FY22 (3.1%). It also expects global GDP to contract by 5.2% in CY20 - the deepest contraction since WWII. Further, almost 90% of the world economies are expected to experience a recession.
- Germany's industrial production fell by 18% in Apr'20 (est.: 16.5% drop) against 9.2% decline in Mar'20. This was the biggest plunge since CY91, led by sharp fall in capital goods (3.5% decline in Apr'20). German's central bank forecasts suggest economy would contract sharply by 6% in CY20. Some stimulus worth € 130bn is anticipated to boost growth.
- Japan's GDP in Q1CY20 contracted by 2.2%, less than previously estimated (3.4%) and up from 7.2% dip in Q4CY19. The upward revision was driven by private non-residential investment, revised from a decline of 2.1% to increase of 8%. Private consumption, and exports continued to contribute negatively. In Q2CY20, GDP is estimated to contract by over 20% led by private investment and consumption.

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Markets

- Bonds:** Except Japan and India, global yields closed lower. US 10Y yield fell by 2bps (0.88%) awaiting a dovish response from Fed. Crude prices fell by 3.5% (US\$ 41/bbl) as Saudi Arabia said it will not extend voluntary cuts in Jul'20 as they are already cutting output by 1.18mn bpd in Jun'20. India's 10Y yield closed stable at 6.02%. It is trading at 6% today.
- Currency:** Global currencies mostly closed higher against the dollar. DXY fell by 0.3% to its lowest in 3-months on hopes of an economic recovery. EUR closed flat even as Germany's industrial production plunged to a historic low in Apr'20. INR rose by 0.1%. It is trading higher today while other Asian currencies are trading lower.
- Equity:** Barring European indices, other global ended higher led by hopes of economic recovery. Dow (1.7%) surged the most followed by Nikkei (1.4%). Sensex (0.2%) too edged upwards with oil & gas stocks advancing the most. 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	0.88	(2)	22	19	33	(127)
UK	0.33	(2)	10	10	18	(51)
Japan	0.05	0	4	5	22	17
Germany	(0.32)	(4)	8	22	54	(10)
India	6.02	0	(2)	5	(5)	(106)
China	2.82	(4)	9	21	29	(44)
2Y yields (Δ bps)						
US	0.23	2	7	7	(15)	(168)
UK	0.00	(1)	1	1	(9)	(56)
Japan	(0.13)	0	0	3	18	7
Germany	(0.62)	(2)	3	16	38	5
India	4.46	1	2	9	(83)	(183)
China	2.02	(3)	40	83	6	(51)
Currencies (Δ %)						
EUR	1.1294	0	1.4	4.2	(1.4)	(0.2)
GBP	1.2724	0.4	1.9	2.5	(3.0)	0.3
JPY	108.43	1.1	(0.8)	(1.7)	(5.9)	0.0
AUD	0.7021	0.7	3.3	7.5	6.6	0.9
INR	75.54	0.1	0	0	(2.0)	(8.5)
CNY	7.0716	0.2	0.8	0	(1.8)	(2.3)
Equity & Other indices (Δ %)						
Dow	27,572	1.7	8.2	13.3	15.6	5.8
FTSE	6,473	(0.2)	5.0	9.0	8.5	(12.2)
DAX	12,820	(0.2)	6.6	17.6	20.7	6.4
NIKKEI	23,178	1.4	5.1	14.9	17.7	9.7
Shanghai Comp	2,938	0.2	0.8	1.5	(0.2)	3.0
SENSEX	34,371	0.2	3.2	8.6	(3.5)	(13.6)
Brent (US\$/bbl)	40.80	(3.5)	6.5	31.7	18.7	(34.5)
Gold (US\$/oz)	1,699	0.8	(2.4)	(0.2)	1.1	27.9
CRB Index	369.2	(0.1)	0.4	2.3	(6.6)	(10.1)
Rogers Agri Index	685.4	0	2.2	3.8	(0.3)	(8.2)
LIBOR (3M)*	0.31	0	(2)	(12)	(46)	(212)
INR 5Y Swap*	5.13	2	(2)	(11)	(51)	(154)
India FII data (US\$ mn)						
	5 Jun	4 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(48.7)	(86.5)	(225.7)	(225.7)	(14,281.0)	(4,521.5)
FII-Equity	1.3	347.4	2,598.1	2,598.1	(2,316.4)	4,286.5

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

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