

MACRO DAILY

12 May 2020

Macro developments

- Government has released Rs 62bn to 14 States as second monthly instalment for revenue deficit grants. Thus, a total of Rs 124bn has already been released in the two instalments. As per 15th Finance Commission recommendations, these 14 States will require revenue deficit grants amounting to Rs 743bn in FY21.
- China's PPI fell by 3.1% in Apr'20 (est. 2.7% decline) versus 1.5% decline in Mar'20. The sharpest dip in 4 years was on account of lower commodity prices and weak industrial demand. Fuel extraction/processing and chemical manufacturing accounted for 60% of decline in prices. Separately, CPI too eased from 4.3% in Mar'20 to 3.3% in Apr'20 led by dip in food and energy prices. Core inflation continued to remain benign.
- Industrial production in Italy contracted by 28.4% in Mar'20 on a MoM basis (est. 20% decline) versus 1% decline in Mar'20. The biggest decline on record was attributed to lockdown restrictions as most factories except essentials were shut. Output in all categories fell across the board.

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Markets

- Bonds:** Global yields closed higher amidst US-China trade tensions. US 10Y yield rose by 3bps (0.71%). Crude prices fell by 4.3% (US\$ 30/bbl) as US inventory continued to rise. India's 10Y yield rose by 20bps (6.17%) due to centre's announcement of higher borrowing in FY21. It is trading at 6.19% today.
- Currency:** Global currencies closed lower against the dollar. Fears of a second wave of infections escalated as new cases were reported in Germany and S.Korea even as several countries eased lockdown restrictions. DXY rose by 0.5% on safe-haven demand. INR too depreciated by 0.2%. It is trading lower today in line with its Asian peers.
- Equity:** Global indices ended mixed as countries fear of a possible second wave of ongoing pandemic. Dax (0.7%) slipped the most followed by Dow (0.4%). Sensex (0.3%) too ended in red and was dragged down by banking stocks. It is trading lower 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	0.71	3	8	(1)	(86)	(169)
UK	0.27	3	4	(4)	(29)	(83)
Japan	0.01	2	3	0	7	6
Germany	(0.51)	3	5	(17)	(10)	(44)
India	6.17	20	8	(32)	(28)	(122)
China	2.65	4	13	10	(15)	(63)
2Y yields (Δ bps)						
US	0.17	2	(1)	(5)	(122)	(201)
UK	0.01	1	(3)	(3)	(48)	(71)
Japan	(0.13)	3	1	3	3	3
Germany	(0.75)	3	0	(13)	(11)	(12)
India	4.43	6	(6)	(81)	(133)	(227)
China	1.24	5	12	4	(99)	(136)
Currencies (Δ %)						
EUR	1.0807	(0.3)	(0.9)	(1.2)	(1.0)	(3.7)
GBP	1.2335	(0.6)	(0.9)	(1.0)	(4.5)	(4.8)
JPY	107.66	(0.9)	(0.9)	0.7	1.9	1.5
AUD	0.6489	(0.7)	0.9	2.2	(3.0)	(6.6)
INR	75.73	(0.2)	0	0.7	(6.2)	(7.4)
CNY	7.0987	(0.3)	(0.5)	(0.9)	(1.6)	(3.2)
Equity & Other indices (Δ %)						
Dow	24,222	(0.4)	2.0	2.1	(17.3)	(4.4)
FTSE	5,940	0.1	3.2	1.7	(20.2)	(17.1)
DAX	10,825	(0.7)	3.4	2.5	(19.8)	(8.9)
NIKKEI	20,391	1.0	3.9	4.6	(13.9)	(3.8)
Shanghai Comp	2,895	0	1.2	3.5	0.1	(0.3)
SENSEX	31,561	(0.3)	(0.5)	1.3	(23.0)	(14.9)
Brent (US\$/bbl)	29.63	(4.3)	8.9	(5.9)	(44.4)	(57.8)
Gold (US\$/oz)	1,698	(0.3)	(0.2)	0.1	8.0	30.6
CRB Index	362.0	0.3	3.0	0	(9.9)	(11.4)
Rogers Agri Index	657.6	(0.4)	1.3	(0.2)	(11.0)	(5.5)
LIBOR (3M)*	0.43	(1)	(7)	(78)	(128)	(208)
INR 5Y Swap*	5.31	7	5	(92)	(115)	(178)
India FII data (US\$ mn)						
	8 May	6 May	WTD	MTD	CYTD	FYTD
FII-Debt	(323.7)	(25.0)	(395.2)	(395.2)	(11,739.0)	(1,979.5)
FII-Equity	285.5	2,262.2	2,381.5	2,381.5	(4,252.0)	2,351.0

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

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