

MACRO DAILY

14 May 2020

Macro developments

- As a part of Rs 20tn Aatmanirbhar Bharat Abhiyan package, FM has announced Rs 6tn boost for MSMEs, NBFCs and power sector. MSMEs are the biggest beneficiary with an allocation of Rs 3.7tn. Further, a special liquidity scheme NBFCs/HFCs/MFIs of Rs 300bn has been launched. For power sector, Rs 900bn liquidity against DISCOM receivables has been launched. With this, the overall stimulus is now at 6.4% of GDP.
- The brunt of COVID-19 was visible in UK's major macro prints. GDP in Q1CY20 contracted by 2% (sharpest fall since Q4CY08). The decline was broad-based across major sectors-services, production and construction. In a separate print, industrial production also fell by 4.2% in Mar'20 (0.1% decline in Feb'20), with sharpest decline in manufacturing sector.
- Industrial production in the Euro Area fell by 11.3% in Mar'20 versus 0.1% decline in Feb'20. This was led by sharp decline in production of durable consumer goods (26.3%), capital goods (15.9%) and intermediate goods (11%). The worst hit countries included, Italy (28.4%) and France (16.4%)

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Markets

- Bonds:** Global yields closed lower. US Fed Chair warned of a prolonged recession. US 10Y yield fell by 1bps (0.65%). Crude prices fell by 2.6% (US\$ 29/bbl). India's 10Y yield dropped the most by 37bps (5.8%) amidst expectation of more OMO purchase by RBI. It is trading 24bps (6.04%) higher today due to government's fiscal stimulus.
- Currency:** Apart from JPY and INR, other global currencies closed lower against the dollar. DXY rose by 0.3% as Fed Chair rejected the idea of negative interest rates. GBP depreciated the most by 0.3%. INR rose by 0.1% tracking gains in local equity markets. It is trading lower today inline with other Asian currencies.
- Equity:** Barring Sensex and Shanghai Comp, other global indices ended lower led by resurgence of COVID-19 cases. Dax (2.6%) dropped the most followed by Dow (2.2%) led by weaker data print. Sensex (2%) gained led by the announcement of Rs 20tn stimulus. However, 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	0.65	(1)	(5)	(7)	(98)	(172)
UK	0.21	(4)	(2)	(10)	(40)	(86)
Japan	0	0	2	(2)	4	5
Germany	(0.53)	(3)	(2)	(18)	(15)	(43)
India	5.80	(37)	(23)	(69)	(68)	(158)
China	2.68	4	12	14	(15)	(60)
2Y yields (Δ bps)						
US	0.16	0	(2)	(7)	(128)	(200)
UK	(0.03)	(2)	(4)	(7)	(57)	(74)
Japan	(0.15)	(1)	(1)	1	0	1
Germany	(0.73)	(1)	1	(11)	(10)	(8)
India	4.50	0	11	(74)	(127)	(218)
China	1.22	(2)	4	2	(101)	(138)
Currencies (Δ %)						
EUR	1.0818	(0.3)	0.2	(1.1)	(0.5)	(3.4)
GBP	1.2232	(0.2)	(1.0)	(1.8)	(5.6)	(4.8)
JPY	107.03	0.1	(0.9)	1.3	2.8	2.3
AUD	0.6455	(0.2)	0.9	1.7	(4.2)	(6.8)
INR	75.46	0.1	0.4	1.1	(5.8)	(7.3)
CNY	7.0926	(0.1)	0.2	(0.8)	(1.7)	(3.1)
Equity & Other indices (Δ %)						
Dow	23,248	(2.2)	(1.8)	(2.0)	(21.3)	(9.4)
FTSE	5,904	(1.5)	0.9	1.1	(21.6)	(19.1)
DAX	10,543	(2.6)	(0.6)	(0.2)	(23.3)	(12.9)
NIKKEI	20,267	(0.5)	3.0	3.9	(15.1)	(4.3)
Shanghai Comp	2,898	0.2	0.7	3.6	(1.0)	(1.4)
SENSEX	32,009	2.0	1.0	2.7	(23.0)	(13.8)
Brent (US\$/bbl)	29.19	(2.6)	(1.8)	(7.3)	(47.7)	(59.3)
Gold (US\$/oz)	1,716	0.8	1.8	1.2	9.6	32.4
CRB Index	362.6	0.2	2.3	0.2	(9.8)	(12.0)
Rogers Agri Index	652.5	(1.4)	0.6	(1.0)	(11.8)	(8.0)
LIBOR (3M)*	0.42	(1)	(2)	(79)	(128)	(210)
INR 5Y Swap*	5.25	(6)	(3)	(98)	(128)	(176)
India FII data (US\$ mn)						
	12 May	11 May	WTD	MTD	CYTD	FYTD
FII-Debt	(565.3)	(433.0)	(998.2)	(1,393.4)	(12,737.2)	(2,977.7)
FII-Equity	(242.7)	85.8	(156.9)	2,224.6	(4,408.9)	2,194.1

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

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