

## MACRO DAILY

23 March 2020

### Macro developments

- COVID-19 cases continued to increase globally. For the week ended 22 Mar 2020, number of COVID-19 globally increased 2 times to 318,297. On a daily basis, while new cases in US rose by 12,933, in Italy it rose by 5,560 and by 1,559 in France. China reported only 46 new cases. In India, the number of new cases rose to 396 as on 23 Mar 2020 vs 114 last week.
- India's forex reserves fell for the first time in 6-months by US\$ 5.3bn to US\$ 481.9bn in the week ended 13 Mar 2020 from a lifetime high. This was the steepest weekly fall since Nov'11 and follows an increase of US\$ 5.7bn last week. Despite the decline, India's import cover remains comfortable at over 10 months.
- In an effort to infuse liquidity, US Fed has said it would enhance the permanent dollar liquidity swap line arrangements together with 5 major central banks. The frequency of 7-day maturity operations has been increased from weekly to daily basis between 23 Mar to 30 Apr 2020. Fed would also extend liquidity support to the municipal debt market which is the main funding market for state and local governments.

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### Markets

- Bonds:** Except Japan, global yields closed lower as COVID-19 cases surged. Global rate easing cycle continued. US 10Y yield fell by 30bps (0.85%) as Fed pumped in dollar liquidity by enhancing swap arrangements. Oil prices fell by (-) 5.2% (US\$ 27/bbl) on muted demand outlook. India's 10Y yield fell by 15bps (6.26%) as RBI announced OMO purchase of Rs 400bn. It is trading higher at 6.3% today.
- Currency:** Global currencies closed mixed after 6 central banks announced coordinated policy measures to boost US\$ liquidity. DXY rose by 0.1%. GBP and AUD also rose from multi-year lows. INR depreciated by (-) 0.2% to close at a fresh lifetime low (75.2/\$). It is trading further lower as 76.03/\$ today. Other Asian currencies are also trading lower.
- Equity:** Barring Dow, global indices closed higher on the back of monetary and fiscal measures taken globally to counter the impact of COVID-19. Sensex (5.8%) surged on the hopes of possible stimulus announcement by the government. Oil and gas stocks advanced the most. 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
<b>10Y yields (Δ bps)</b>						
US	0.85	(30)	(11)	(72)	(107)	(159)
UK	0.56	(16)	15	(5)	(22)	(45)
Japan	0.08	0	3	14	7	15
Germany	(0.32)	(13)	22	9	(7)	(31)
India	6.26	(15)	(6)	(13)	(34)	(108)
China	2.69	(5)	0	(20)	(52)	(42)
<b>2Y yields (Δ bps)</b>						
US	0.31	(14)	(18)	(110)	(132)	(200)
UK	0.13	0	(16)	(40)	(41)	(53)
Japan	(0.16)	0	3	(1)	(7)	1
Germany	(0.68)	0	19	(3)	(4)	(11)
India	5.54	(10)	3	(15)	(34)	(106)
China	1.91	(2)	(6)	(32)	(68)	(49)
<b>Currencies (Δ %)</b>						
EUR	1.0688	0	(3.8)	(1.0)	(3.5)	(5.4)
GBP	1.1629	1.3	(5.3)	(10.5)	(10.5)	(12.0)
JPY	110.93	(0.2)	(3.1)	(1.0)	(1.4)	(0.9)
AUD	0.5785	0.7	(6.7)	(13.5)	(16.2)	(18.3)
INR	75.20	(0.2)	(1.7)	(5.1)	(5.7)	(9.0)
CNY	7.0960	0.2	(1.2)	(1.4)	(1.3)	(5.6)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	19,174	(4.5)	(17.3)	(34.4)	(32.6)	(24.8)
FTSE	5,191	0.8	(3.3)	(29.7)	(31.5)	(28.0)
DAX	8,929	3.7	(3.3)	(34.7)	(33.0)	(21.4)
NIKKEI	16,553	(1.0)	(10.8)	(28.6)	(30.5)	(23.5)
Shanghai Comp	2,746	1.6	(4.9)	(8.0)	(8.6)	(11.6)
SENSEX	29,916	5.8	(12.3)	(26.8)	(28.2)	(21.6)
Brent (US\$/bbl)	26.98	(5.2)	(20.3)	(53.3)	(59.2)	(59.7)
Gold (US\$/oz)	1,499	1.9	(2.0)	(6.4)	1.4	14.1
CRB Index	374.0	0.1	(3.4)	(7.2)	(6.1)	(11.9)
Rogers Agri Index	656.6	0.5	(1.9)	(11.7)	(12.1)	(13.9)
LIBOR (3M)*	1.20	8	45	(50)	(74)	(141)
INR 5Y Swap*	6.20	(13)	53	(20)	(44)	(45)
<b>India FII data (US\$ mn)</b>						
	<b>19 Mar</b>	<b>18 Mar</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(773.3)	(440.8)	(3,860.2)	(6,337.2)	(7,904.3)	(4,960.1)
FII-Equity	(610.4)	(680.1)	(2,418.1)	(6,237.7)	(4,450.8)	2,938.4

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

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