

MACRO DAILY

25 February 2020

Macro developments

- According to news reports, Ministry of Finance is not in favour of postponing the payment of AGR dues of telecom companies beyond the deadline. Telecom companies have been ordered by the SC to pay Rs 1.47tn of dues to the government by 17 Mar 2020. Government may propose banks to extend emergency credit lines to telecom companies.
- Germany's IFO business climate index rose marginally to 96.1 in Feb'20 from 96 in Jan'20. Sector-wise only manufacturing showed improvement, while indices for services, trade and construction declined further. Analysts believe that the survey has not taken into account full effect of spread of COVID-19 which could hamper Germany's manufacturing and services sector the most.
- Industrial production in Taiwan contracted by (-) 1.5% in Jan'20 vs 6.3% in Dec'19 on a YoY basis due to Lunar New Year holidays. Manufacturing output declined by (-) 1.3% vs 6.7% in Dec'19. Despite easing trade tensions between US and China, manufacturing outlook remains muted as COVID-19 outbreak is likely to impact global supply chains and demand.

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Markets

- **Bonds:** Except Japan (flat), global yields closed lower on renewed fears over spread of COVID-19. US 10Y yield fell the most by 10bps to 1.37% to its lowest since Jul'16. Oil prices also fell sharply by (-) 3.8% (US\$ 56/bbl) on muted demand outlook. As a result, India's 10Y yield fell by 9bps (6.38%). It is trading further lower at 6.35% today.
- **Currency:** Barring EUR and JPY, other global currencies closed lower as COVID-19 outbreak spread beyond China. INR (-0.5%) and GBP (-0.3%) lost the most. JPY (+0.8%) and DXY (+0.1%) rose on safe-haven buying. INR opened higher today in line with other Asian currencies.
- **Equity:** Global indices closed lower with Dax (-4%) and Dow (-3.6%) losing the most, as investors fear sharper global slowdown in Q1CY20. Sensex too fell by (-) 2%, dragged by metal and auto stocks. It is trading further lower today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.37	(10)	(21)	(31)	(38)	(129)
UK	0.54	(3)	(10)	(2)	(16)	(64)
Japan	(0.06)	0	(2)	(4)	2	(2)
Germany	(0.48)	(5)	(8)	(15)	(13)	(59)
India	6.33	(9)	(6)	(25)	(14)	(109)
China	2.81	(4)	(8)	(19)	(38)	(36)
2Y yields (Δ bps)						
US	1.25	(11)	(18)	(25)	(37)	(126)
UK	0.41	(11)	(14)	(2)	(11)	(36)
Japan	(0.16)	0	(2)	(4)	2	1
Germany	(0.67)	(4)	(2)	(6)	(5)	(12)
India	5.65	(4)	(4)	(45)	23	(103)
China	2.23	(7)	(5)	(42)	(36)	(19)
Currencies (Δ %)						
EUR	1.0854	0.1	0.2	(1.6)	(1.5)	(4.4)
GBP	1.2924	(0.3)	(0.6)	(1.1)	0.2	(1.3)
JPY	110.72	0.8	(0.8)	(1.3)	(1.6)	0.3
AUD	0.6605	(0.3)	(1.6)	(3.3)	(2.6)	(7.8)
INR	72.00	(0.5)	(1.0)	(0.9)	(0.4)	(1.4)
CNY	7.0304	0	(0.7)	(1.3)	0.1	(5.1)
Equity & Other indices (Δ %)						
Dow	27,961	(3.6)	(4.9)	(3.5)	(0.4)	7.2
FTSE	7,157	(3.3)	(3.7)	(5.7)	(3.2)	(0.4)
DAX	13,035	(4.0)	(5.4)	(4.0)	(1.6)	13.3
NIKKEI	23,387	(0.4)	(0.6)	(1.8)	0.4	8.6
Shanghai Comp	3,031	(0.3)	1.6	1.8	4.3	2.4
SENSEX	40,363	(2.0)	(1.7)	(3.0)	(1.3)	11.5
Brent (US\$/bbl)	56.30	(3.8)	(2.4)	(7.2)	(11.5)	(13.1)
Gold (US\$/oz)	1,659	1.0	4.9	5.6	14.0	25.0
CRB Index	399.2	(0.8)	(0.5)	(2.3)	3.0	(3.6)
Rogers Agri Index	725.8	(2.0)	(1.5)	(3.5)	(0.6)	(4.3)
LIBOR (3M)*	1.68	0	(1)	(12)	(24)	(96)
INR 5Y Swap*	6.34	(5)	(7)	(35)	(6)	(73)
India FII data (US\$ mn)						
	20 Feb	18 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(156.1)	(454.8)	(627.5)	1,347.5	(221.4)	2,722.7
FII-Equity	117.5	181.1	322.8	2,239.1	3,611.7	11,001.0

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, NIKKEI was closed on 24.02.2020

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