

MACRO DAILY

27 February 2020

Macro developments

- RBI reported that currency in circulation (CIC) rose by Rs 110bn and stood at Rs 23.6tn for the week ending 21 Feb 2020. Reserve money increased by 11.4% on a YoY basis, compared with 16.5% a year ago. On a FYTD basis, reserve money increased by 7.5% as against 10.5% last year.
- Bank of Korea kept its policy rate unchanged at 1.25%. This was against expectations of a 25bps cut in rates as the rapid spread of COVID-19 in the country threatens to derail growth. The Board also slashed its growth forecast to below 2% in CY20 from 2.3% (Nov'19). Inflation is also expected to be muted at ~1%. However, it kept room open for further rate cuts as it maintained an accommodative policy stance.
- New home sales in the US rose to 12.5-year high of 7.9% in Jan'20 (MoM basis) vs est.: 3.5% and 2.3% in Dec'19. The surge can be attributed to lower interest rates after Fed reduced rates thrice in CY19. Construction permits were also at 7-year high in Jan'20, indicating increase in supply may ease median prices (+14% YoY in Jan'20) and push sales further up.

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Markets

- **Bonds:** Global yields closed mixed amidst varied macro prints (rising new home sales in the US, contracting GDP growth in Hong Kong). US 10Y yield fell by 2bps to its record low of 1.34% as fears of COVID-19 linger. Oil prices also fell by (-) 2.8% (US\$ 53/bbl). India's 10Y yield rose a tad by 1bps (6.35%) due to selling by PSBs & private banks. It is trading lower at 6.33% today.
- **Currency:** Except EUR (flat) and INR (+0.3%), other global currencies closed lower as fresh COVID-19 cases outside China rose sharply. AUD (-0.9%) and GBP (-0.8%) fell the most. INR rose on the back of lower oil prices. It is trading flat today, while other Asian currencies are trading higher.
- **Equity:** Barring FTSE, global indices closed lower with Sensex (-1%) and Shanghai Comp (-0.8%) losing the most. While investors continue to remain watchful of the impact of COVID-19 on global economy, earning results helped calm the sell-off. Sensex was dragged by real estate and auto stocks. It is trading lower today, while Asian markets are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.34	(2)	(23)	(27)	(43)	(135)
UK	0.50	(2)	(10)	(0)	(17)	(77)
Japan	(0.09)	2	(4)	(4)	2	(6)
Germany	(0.51)	1	(9)	(12)	(13)	(65)
India	6.35	1	(4)	(21)	(13)	(113)
China	2.80	(2)	(9)	(20)	(39)	(38)
2Y yields (Δ bps)						
US	1.16	(6)	(26)	(28)	(46)	(133)
UK	0.37	(2)	(16)	(4)	(15)	(46)
Japan	(0.19)	0	(4)	(6)	0	(3)
Germany	(0.70)	(1)	(6)	(7)	(6)	(17)
India	5.60	(4)	(9)	(48)	23	(116)
China	2.23	(7)	(5)	(42)	(36)	(19)
Currencies (Δ %)						
EUR	1.0881	0	0.7	(1.3)	(1.1)	(4.3)
GBP	1.2905	(0.8)	(0.1)	(1.2)	(0.1)	(3.0)
JPY	110.43	(0.2)	0.8	(1.4)	(0.8)	0.5
AUD	0.6544	(0.9)	(2.0)	(3.2)	(3.4)	(8.3)
INR	71.66	0.3	(0.1)	(0.3)	(0.4)	(0.6)
CNY	7.0229	(0.1)	(0.4)	(1.2)	0.1	(5.0)
Equity & Other indices (Δ %)						
Dow	26,958	(0.5)	(8.1)	(5.5)	(4.3)	3.7
FTSE	7,042	0.4	(5.6)	(5.0)	(5.2)	(0.9)
DAX	12,775	(0.1)	(7.4)	(3.3)	(3.9)	11.2
NIKKEI	22,426	(0.8)	(4.2)	(3.9)	(4.3)	4.0
Shanghai Comp	2,988	(0.8)	0.4	0.4	2.9	1.2
SENSEX	39,889	(1.0)	(3.5)	(3.1)	(2.8)	11.1
Brent (US\$/bbl)	53.43	(2.8)	(9.6)	(9.9)	(16.6)	(19.5)
Gold (US\$/oz)	1,641	0.4	1.8	3.7	12.8	24.3
CRB Index	397.7	(0.4)	(1.3)	(2.0)	2.8	(3.8)
Rogers Agri Index	720.5	(0.4)	(3.3)	(3.3)	(0.6)	(4.5)
LIBOR (3M)*	1.64	(1)	(6)	(14)	(28)	(99)
INR 5Y Swap*	6.23	(9)	(20)	(41)	(18)	(90)
India FII data (US\$ mn)						
	25 Feb	24 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(8.4)	(443.6)	(451.9)	895.6	(673.3)	2,270.8
FII-Equity	(255.8)	(241.6)	(497.4)	1,741.7	3,114.4	10,503.6

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

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