

MACRO DAILY

06 March 2020

Macro developments

- EPFO has cut interest rate by 15bps to its 7-year low of 8.5% in FY20. This was on the back of falling interest rates globally. As per news reports, EPFO has suffered a setback from investment in DHFL and ILFS (Rs 45bn). So the new rates, will help in effectively managing the cost. EPFO has invested Rs 18tn of which 85% is in debt and 15% in equity (ETFs).
- US factory orders declined by (-) 0.5% in Jan'20 vs est.: (-) 0.1% and 1.9% in Dec'19, led by transportation equipment and electrical equipment & appliances. On the other hand, ISM non-manufacturing PMI increased to 57.3 in Feb'20 from 55.5 Jan'20, led by new orders, particularly export orders. Separately, initial jobless claims for the week ended 29 Feb fell to 216,000 vs est.: 215,000 and 219,000 in the previous week. The 4-week moving claims rose by 3,250 to 213,000.
- Thailand's CPI eased by 0.7% in Feb'20 from 1% in Jan'20. The inflation print was way below the Bank of Thailand's target range of 1%-3% and raises the likelihood of a rate cut amidst downward risk to growth and the impact of the recent outbreak of COVID-19 on the economy. As of CYTD20, headline and core inflation rose by 0.9% and 0.5% respectively.

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Markets

- Bonds:** Except Japan and India, global yields closed lower as fear of COVID-19 persists. US 10Y yield fell the most (14bps) to another record low of 0.91% exacerbated by slump in factory orders. Oil prices also fell by (-) 2.2% (US\$ 50/bbl). India's 10Y yield inched a tad by 1bps (6.24%) due to selling by foreign & private banks. It is trading 9bps lower at 6.15% today.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.5% to a 2-month low as investors expect Fed to cut rates further. JPY strengthened further by 1.3%. INR depreciated by (-) 0.1%. It is trading further lower at 73.94/\$ today. Asian currencies are also trading lower.
- Equity:** Global indices closed mixed amidst escalated fears over the impact COVID-19 on global markets. Dow (-3.6%) fell the most followed by FTSE (-1.6%). However, Sensex (0.2%) gained marginally with consumer durables stocks advancing the most. It is trading lower today in line with other Asian stocks and impact of Yes Bank placed under moratorium.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.91	(14)	(35)	(62)	(90)	(173)
UK	0.33	(4)	(14)	(18)	(44)	(84)
Japan	(0.11)	1	(1)	(6)	(8)	(11)
Germany	(0.69)	(5)	(14)	(24)	(39)	(75)
India	6.24	1	(14)	(27)	(38)	(115)
China	2.69	0	(10)	(18)	(51)	(49)
2Y yields (Δ bps)						
US	0.60	(10)	(46)	(76)	(100)	(188)
UK	0.16	(5)	(18)	(32)	(43)	(58)
Japan	(0.25)	2	(4)	(11)	(9)	(10)
Germany	(0.86)	(2)	(12)	(19)	(23)	(31)
India	5.39	1	(23)	(62)	(20)	(130)
China	1.97	0	(33)	(32)	(64)	(44)
Currencies (Δ %)						
EUR	1.1237	0.9	2.1	1.6	1.2	0.4
GBP	1.2954	0.6	0.5	(0.3)	(1.5)	(1.0)
JPY	106.16	1.3	3.1	2.3	2.4	4.9
AUD	0.6614	(0.2)	0.7	(1.2)	(3.2)	(5.7)
INR	73.31	(0.1)	(2.4)	(2.8)	(2.8)	(4.7)
CNY	6.9361	(0.2)	1.0	1.2	1.5	(3.3)
Equity & Other indices (Δ %)						
Dow	26,121	(3.6)	1.4	(8.0)	(5.6)	2.5
FTSE	6,705	(1.6)	(1.3)	(8.5)	(6.1)	(6.3)
DAX	11,945	(1.5)	(3.4)	(8.4)	(8.5)	3.7
NIKKEI	21,329	1.1	(2.8)	(7.2)	(8.5)	(0.6)
Shanghai Comp	3,072	2.0	2.7	11.8	5.9	(1.1)
SENSEX	38,471	0.2	(3.2)	(3.5)	(5.7)	4.8
Brent (US\$/bbl)	49.99	(2.2)	(4.2)	(8.2)	(21.1)	(24.6)
Gold (US\$/oz)	1,672	2.2	1.7	6.1	13.3	30.1
CRB Index	399.3	(0.1)	0.9	(1.1)	3.2	(3.5)
Rogers Agri Index	709.0	(0.6)	(0.1)	(3.1)	(2.1)	(4.1)
LIBOR (3M)*	1.00	(31)	(58)	(74)	(88)	(160)
INR 5Y Swap*	5.81	1	(42)	(78)	(58)	(120)
India FII data (US\$ mn)						
	4 Mar	3 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	197.7	(217.6)	(294.4)	(294.4)	(1,861.5)	1,082.7
FII-Equity	(107.3)	(319.6)	(468.5)	(468.5)	1,318.4	8,707.6

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

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