

MACRO DAILY

08 April 2020

Macro developments

- COVID-19 cases increased globally to 1.4mn as of 7 Apr 2020 (1.3 times increase vs last week). On a daily basis, new cases in US rose the most by 30,613, followed by France at 11,086 and Spain at 5,267. Globally, US has the maximum number of cases at 398,809. In India, the number of cases rose to 4,723 as of 8 Apr 2020 vs 1,998 last week.
- To enhance liquidity for state governments, RBI has eased overdraft facility norms from 14 working days in a month to 21 working days and 36 days in quarter to 50 days. Revenue starved states are increasingly relying on markets borrowings to meet the expenditure in times of COVID-19 outbreak. However, the cost of borrowing for states have increased steeply (gap between 10Y G-Sec and SDL is over 100bps now). As a result, RBI has also increased states' WMA limit by 30%.
- Industrial production in Germany rose by 0.3% in Feb'20 on a MoM basis (est. -0.9%) vs 3% in Jan'20. While production of consumer goods increased by 1.8%, capital goods fell by (-) 0.3%. However, the increase may not sustain as major establishments remain shut due to the COVID-19 outbreak. Analysts believe that GDP growth might shrink in Q1CY20.

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Markets

- Bonds:** Except Japan and China, global yields closed higher on the back of slowdown in new COVID-19 cases. US 10Y rose by 4bps (0.71%) as investors remained cautious ahead of the release of Fed minutes. Crude prices fell by (-) 3.6% (US\$ 32/bbl) as EIA report suggested demand is likely to drop by 1.3mn bpd in CY20. India's 10Y yield rose by 11bps (6.42%) amidst concerns of oversupply and is trading stable today.
- Currency:** Global currencies closed higher against the dollar. DXY fell by (-) 0.8% on improved risk sentiment as the spread of the virus outbreak eased. AUD (1.3%) gained the most. INR also rose sharply by 0.7% on the back of gains in local equities. It is trading lower today in line with other Asian currencies.
- Equity:** Apart from Dow, other global indices closed higher on hopes of a flattening of COVID-19 curve. Sensex (9%) surged and posted its biggest one-day gain in 10 years with banking and auto stocks advancing the most. However, it is trading lower today. Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.71	4	4	(5)	(111)	(179)
UK	0.41	8	6	18	(38)	(69)
Japan	0.02	0	0	14	2	7
Germany	(0.31)	12	16	40	(2)	(30)
India	6.42	11	28	23	(14)	(96)
China	2.51	(5)	(8)	(12)	(64)	(80)
2Y yields (Δ bps)						
US	0.26	0	1	(25)	(128)	(209)
UK	0.17	7	3	7	(43)	(53)
Japan	(0.10)	1	3	17	2	6
Germany	(0.61)	4	8	25	2	(3)
India	5.36	9	8	1	(86)	(130)
China	1.37	(27)	(34)	(59)	(92)	(102)
Currencies (Δ %)						
EUR	1.0892	0.9	(1.3)	(3.5)	(2.3)	(3.3)
GBP	1.2332	0.8	(0.7)	(5.5)	(6.0)	(5.5)
JPY	108.76	0.4	(1.1)	(3.2)	(0.3)	2.1
AUD	0.6170	1.3	0.6	(7.0)	(10.2)	(13.4)
INR	75.63	0.7	(0.1)	(2.5)	(5.3)	(9.1)
CNY	7.0457	0.6	0.5	(1.6)	(1.4)	(5.0)
Equity & Other indices (Δ %)						
Dow	22,654	(0.1)	3.4	(12.4)	(20.7)	(13.4)
FTSE	5,704	2.2	0.6	(11.7)	(24.7)	(23.2)
DAX	10,357	2.8	4.2	(10.3)	(21.7)	(12.6)
NIKKEI	18,950	2.0	0.2	(8.7)	(19.6)	(13.1)
Shanghai Comp	2,821	2.1	2.6	(7.0)	(9.1)	(12.9)
SENSEX	30,067	9.0	2.0	(20.0)	(26.4)	(22.8)
Brent (US\$/bbl)	31.87	(3.6)	40.1	(29.6)	(53.3)	(54.9)
Gold (US\$/oz)	1,648	(0.8)	4.5	(1.6)	4.7	26.3
CRB Index	363.0	(0.1)	(1.9)	(8.9)	(9.6)	(14.6)
Rogers Agri Index	653.8	1.0	(1.2)	(6.6)	(13.3)	(12.6)
LIBOR (3M)*	1.35	(3)	(10)	46	(53)	(123)
INR 5Y Swap*	6.02	(21)	19	28	(77)	(55)
India FII data (US\$ mn)						
	3 Apr	31 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(160.9)	(374.6)	(774.5)	(160.9)	(9,920.4)	(160.9)
FII-Equity	(296.5)	(504.3)	(1,281.9)	(296.5)	(6,899.5)	(296.5)

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

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