

## MACRO DAILY

09 March 2020

### Macro developments

- The government has sought parliament approval for an additional spending of Rs 540bn in FY20. Of this, Rs 200bn will be used for the payment of GST compensation to states (Rs 162bn for states and Rs 38bn for UTs). Apart from this, funds will be utilised for defence expenses (Rs 70bn), defence pensions (Rs 57bn), MNREGA (Rs 50bn) and NIIF (Rs 10bn).
- China's exports fell by (-) 17.2% in Jan-Feb'20, vs 7.9% increase in Dec'19 and (-) 4.5% in the same period last year. The steepest decline since Jan-Feb'17 (+3.7%) was owing to Lunar New Year holidays and lockdowns due to COVID-19. Imports fell less sharply by (-) 4% in Jan-Feb'20 vs est.: (-) 15% and 16.5% increase in Dec'19, supported by US-China trade deal.
- Labour market conditions in the US remained buoyant with nonfarm payroll increasing by 273,000 in Feb'20 (est.: 175,000). Unemployment rate was lower at 3.5% in Feb'20 vs 3.6% in Jan'20. Average hourly earnings also rose by 0.3% in Feb'20 vs 0.2% in Jan'20 on MoM basis.

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### Markets

- **Bonds:** Global yields closed lower over spread of COVID-19. US 10Y yield fell sharply by 15bps (0.76%) as traders are anticipating more rate cuts. Oil prices fell sharply by (-) 9.4% (US\$ 45/bbl-lowest since Jun'17) as OPEC+ deal failed to materialise. India's 10Y yield also fell by 5bps (6.18%-lowest since Apr'09) as rate cut hopes emerged. It is trading 12bps lower at 6.06% today as oil has fallen by 26% to US\$ 33/bbl in the morning session.
- **Currency:** Except INR, other global currencies closed higher. DXY fell by (-) 0.9% to a 1-year low on expectations of more stimulus by the Fed to support growth. INR depreciated by (-) 0.6% tracking losses in domestic equity markets. It is trading lower today. Asian currencies are trading mixed.
- **Equity:** Global indices closed lower as fears surrounding the spread of COVID-19 continued to impact global markets. FTSE (-3.6%) fell the most followed by Dax (-3.4%) and Nikkei (-2.7%). Sensex (-2.3%) slipped into red and was dragged down metal and banking stocks. It is trading lower today in line with other Asian stocks as oil prices tanked.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.76	(15)	(39)	(84)	(107)	(187)
UK	0.24	(10)	(21)	(33)	(54)	(95)
Japan	(0.12)	(1)	3	(7)	(12)	(9)
Germany	(0.71)	(2)	(10)	(31)	(42)	(78)
India	6.18	(5)	(19)	(32)	(48)	(118)
China	2.63	(6)	(11)	(24)	(58)	(52)
<b>2Y yields (Δ bps)</b>						
US	0.51	(9)	(41)	(90)	(111)	(195)
UK	0.11	(5)	(20)	(39)	(49)	(64)
Japan	(0.28)	(3)	(3)	(13)	(14)	(13)
Germany	(0.86)	0	(9)	(20)	(23)	(32)
India	5.35	(5)	(25)	(67)	(38)	(132)
China	1.97	0	(33)	(32)	(65)	(45)
<b>Currencies (Δ %)</b>						
EUR	1.1284	0.4	2.3	2.2	2.0	0.4
GBP	1.3048	0.7	1.8	0.1	(0.7)	0.3
JPY	105.39	0.7	2.3	3.8	2.9	5.2
AUD	0.6636	0.3	1.9	(1.5)	(3.0)	(5.8)
INR	73.79	(0.6)	(2.2)	(3.5)	(3.6)	(5.2)
CNY	6.9314	0.1	0.9	1.0	1.5	(3.1)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	25,865	(1.0)	1.8	(10.2)	(7.7)	1.6
FTSE	6,463	(3.6)	(1.8)	(13.1)	(10.7)	(9.0)
DAX	11,542	(3.4)	(2.9)	(13.1)	(12.3)	0.7
NIKKEI	20,750	(2.7)	(1.9)	(10.1)	(11.2)	(1.3)
Shanghai Comp	3,035	(1.2)	5.4	9.0	4.2	2.2
SENSEX	37,577	(2.3)	(1.9)	(7.9)	(7.1)	2.5
Brent (US\$/bbl)	45.27	(9.4)	(10.4)	(16.1)	(29.7)	(31.1)
Gold (US\$/oz)	1,674	0.1	5.6	7.8	14.6	28.9
CRB Index	398.7	(0.2)	0.9	(1.3)	2.1	(3.8)
Rogers Agri Index	700.4	(1.2)	(0.4)	(4.5)	(3.8)	(5.6)
LIBOR (3M)*	1.00	0	(46)	(74)	(89)	(160)
INR 5Y Swap*	5.74	(8)	(42)	(87)	(76)	(124)
<b>India FII data (US\$ mn)</b>						
	<b>5 Mar</b>	<b>4 Mar</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	41.9	197.7	(252.5)	(252.5)	(1,819.6)	1,124.6
FII-Equity	(305.4)	(107.3)	(773.9)	(773.9)	1,013.1	8,402.3

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

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