

MACRO DAILY

04 March 2020

Macro developments

- FDI inflows into India rose to US\$ 10.7bn in Q3FY20 vs US\$ 9.8bn in Q2FY20. In FYTD20, FDI inflows rose by 9.8% to US\$ 36.8bn. Singapore and Mauritius remain the biggest source of FDI at US\$ 11.7bn and US\$ 7.5bn respectively. Sectorwise, while FDI inflows into the services sector have slowed to US\$ 6.5bn vs US\$ 9.2bn in FYTD19, inflows into telecom sector have increased to US\$ 4.3bn vs US\$ 2.7bn.
- In a surprise move, US Fed cut its policy rate by 50bps, bringing down the Fed's fund rate to 1-1.25%. This comes amidst growing concerns over the economic impact of COVID-19. The FOMC agreed that risks will have "material impact" on US growth. The decision follows G-7 countries' announcement to use policy support to mitigate risks from COVID-19.
- Australia's GDP rose by 0.5% in Q4CY19 on a QoQ basis vs est.: 0.4% and 0.6% in Q3, pushing CY19 growth to 2.2% (2% in CY18). In Q4, growth was led by household and government spending. Private investment fell by (-) 3.4%, driven by construction. In order to cushion growth from risks of bushfire and COVID-19, RBA has also cut policy rate recently.

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Markets

- Bonds:** Except Japan and China, global yields closed lower. US 10Y yield fell the most by 16bps to reach yet another record low of 1% as Fed delivered a 50bps surprise rate cut (first inter-meeting cut since crisis of CY08) on concerns of COVID-19. Oil prices fell by (-) 0.1% (US\$ 52/bbl). India's 10Y yield fell by 1bps (6.34%). It is trading 7bps lower at 6.27% today, supported by Fed's move.
- Currency:** Barring INR and CNY, other global currencies closed higher. DXY fell by (-) 0.2% a surprise 50bps rate cut by the Fed. JPY rose by 1.1%. INR depreciated sharply by (-) 0.8% to a 16-month low as more cases of COVID-19 were identified in India. However it is trading higher today in line with other Asian currencies.
- Equity:** Barring Dow and Nikkei, global indices closed higher after Fed surprised with a rate cut to counter global slowdown. Sensex (1.3%) gained the most followed by Dax (1.1%) and FTSE (1%). Metal and power stocks advanced the most in domestic markets. Sensex is trading lower today; while 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	1.00	(16)	(35)	(51)	(72)	(172)
UK	0.39	(2)	(13)	(13)	(28)	(90)
Japan	(0.11)	1	0	(4)	(9)	(12)
Germany	(0.63)	0	(11)	(19)	(28)	(79)
India	6.34	(1)	1	(26)	(13)	(103)
China	2.76	2	(6)	(24)	(44)	(47)
2Y yields (Δ bps)						
US	0.70	(20)	(53)	(61)	(84)	(185)
UK	0.23	(3)	(16)	(28)	(27)	(58)
Japan	(0.24)	1	(5)	(9)	(9)	(10)
Germany	(0.81)	1	(12)	(14)	(18)	(31)
India	5.55	(1)	(9)	(52)	19	(110)
China	1.97	0	(33)	(32)	(66)	(50)
Currencies (Δ %)						
EUR	1.1173	0.4	2.7	0.7	0.8	(1.2)
GBP	1.2811	0.4	(1.5)	(3.0)	(1.4)	(2.8)
JPY	107.13	1.1	2.8	1.1	1.4	4.3
AUD	0.6584	0.7	(0.3)	(1.6)	(3.8)	(7.1)
INR	73.31	(0.8)	(2.0)	(2.7)	(2.3)	(4.0)
CNY	6.9676	(0.1)	0.7	(0.4)	1.3	(3.9)
Equity & Other indices (Δ %)						
Dow	25,917	(2.9)	(4.3)	(8.3)	(5.8)	0.4
FTSE	6,718	1.0	(4.3)	(7.8)	(6.2)	(6.5)
DAX	11,985	1.1	(6.3)	(7.7)	(7.7)	3.1
NIKKEI	21,083	(1.2)	(6.7)	(9.1)	(9.8)	(3.0)
Shanghai Comp	2,993	0.7	(0.7)	0.5	3.8	(2.0)
SENSEX	38,624	1.3	(4.1)	(2.8)	(5.0)	6.0
Brent (US\$/bbl)	51.86	(0.1)	(5.6)	(10.8)	(14.7)	(21.3)
Gold (US\$/oz)	1,641	3.2	0.4	3.3	11.1	27.4
CRB Index	399.1	0.3	(0.1)	(1.3)	3.5	(3.6)
Rogers Agri Index	714.0	0.4	(1.3)	(2.9)	(1.2)	(5.0)
LIBOR (3M)*	1.25	(21)	(38)	(50)	(64)	(135)
INR 5Y Swap*	6.05	(5)	(27)	(63)	(29)	(98)
India FII data (US\$ mn)						
	2 Mar	28 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(274.5)	(313.8)	(274.5)	(274.5)	(1,841.6)	1,102.5
FII-Equity	(41.6)	(462.8)	(41.6)	(41.6)	1,745.3	9,134.5

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

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