

## MACRO DAILY

10 June 2020

### Macro developments

- According to news reports, GST collections have steadily declined in Mar and Apr'20, showing the impact of nationwide lockdown. While in Mar'20 collections dropped to Rs 615bn from Rs 976bn in Feb'20, they eased further in Apr'20 to Rs 495bn. On a YoY basis, Mar'20 saw a 46% decline while Apr'20 has seen 51% decline in GST collections.
- China's PPI fell by 3.7% in May'20 versus 3.1% decline in Apr'20. The sharpest fall in four years comes in the wake of weakening global demand and was driven by 57.6% drop in prices of oil & natural gas and 24.4% drop in other fuel processing sectors. CPI too eased to 2.4% in May'20 (weakest since Mar'19) from 3.3% in Apr'20, on the back of slowing food prices (10.6% versus 14.8%). Core inflation remains unchanged at 1.1%.
- Growth in the Euro Area and EU fell sharply by 3.6% and 3.2% respectively in Q1CY20, on a QoQ basis against 0.1% growth in Q4CY19. This was the steepest decline since CY95. Sharp contraction in household consumption spending and exports amidst COVID-19 crisis contributed to this decline. Employment in both the Euro area and EU is down by 0.2% and 0.1% respectively in Q1CY20—first time since Q2CY13.

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### Markets

- **Bonds:** Global yields closed mixed amidst cautiousness over Fed policy outcome. Markets are anticipating the first economic projections to be published by Fed since COVID-19, to give a signal about rates. US 10Y yield fell by 5bps (0.83%). Crude prices rose by 0.9% (US\$ 41/bbl). India's 10Y yield fell by 3bps (5.99%). It is trading flat today.
- **Currency:** Global currencies closed mixed. DXY fell by 0.3% ahead of Fed's policy meet. JPY strengthened by 0.6%. AUD fell by 0.9% amidst heightened trade tensions with China. INR and CNY depreciated by 0.1% each. INR is trading lower today while other Asian currencies are trading higher.
- **Equity:** Barring Shanghai Comp, other global ended lower as optimism over economic recovery faded marginally and focus shifted towards upcoming Fed's meet. European indices dropped the most. Sensex (1.2%) too ended in red and was dragged down by banking stocks. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.83	(5)	14	14	2	(132)
UK	0.34	0	11	10	10	(52)
Japan	0.02	(3)	1	2	7	13
Germany	(0.31)	1	11	23	48	(8)
India	5.99	(3)	(1)	2	(8)	(105)
China	2.82	0	1	21	21	(45)
<b>2Y yields (Δ bps)</b>						
US	0.20	(2)	4	5	(33)	(173)
UK	0.01	1	3	2	(16)	(58)
Japan	(0.14)	(1)	0	2	10	5
Germany	(0.61)	1	5	17	35	6
India	4.42	(4)	0	5	(87)	(188)
China	2.01	(1)	35	82	5	(52)
<b>Currencies (Δ %)</b>						
EUR	1.1340	0.4	1.5	4.6	0.5	0.1
GBP	1.2728	0	1.4	2.6	(1.4)	0
JPY	107.76	0.6	0.8	(1.0)	(2.0)	0.7
AUD	0.6961	(0.9)	0.9	6.6	7.0	(0.0)
INR	75.62	(0.1)	(0.3)	(0.1)	(2.1)	(8.9)
CNY	7.0774	(0.1)	0.3	0	(1.7)	(2.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,272	(1.1)	5.9	12.1	9.0	4.7
FTSE	6,336	(2.1)	1.9	6.7	6.3	(14.4)
DAX	12,618	(1.6)	5.0	15.7	20.5	3.8
NIKKEI	23,091	(0.4)	3.4	14.4	16.2	8.9
Shanghai Comp	2,956	0.6	1.2	2.1	(1.4)	1.0
SENSEX	33,957	(1.2)	0.4	7.3	(4.7)	(15.0)
Brent (US\$/bbl)	41.18	0.9	4.1	33.0	10.6	(33.9)
Gold (US\$/oz)	1,715	1.0	(0.7)	0.7	4.0	29.3
CRB Index	368.7	(0.1)	(0.1)	2.2	(6.9)	(10.6)
Rogers Agri Index	682.7	(0.4)	1.7	3.4	(1.6)	(9.1)
LIBOR (3M)*	0.31	0	(2)	(12)	(47)	(214)
INR 5Y Swap*	5.12	(1)	(6)	(12)	(57)	(157)
<b>India FII data (US\$ mn)</b>						
	<b>8Jun</b>	<b>5 Jun</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(4.6)	(48.7)	(4.6)	(230.3)	(14,285.6)	(4,526.1)
FII-Equity	139.2	1.3	139.2	2,737.3	(2,177.2)	4,425.7

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

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