

## MACRO DAILY

11 May 2020

### Macro developments

- Centre has revised its borrowing to Rs 12tn in FY21 from Rs 7.8tn earlier. Now borrowing in H1 and H2 is split in half at Rs 6tn each compared with Rs 4.88tn and Rs 2.92tn earlier. Issuance pattern is skewed towards 10Y and above bucket at 38% (Rs 2.28tn) versus 35% (Rs 1.48tn) in H1FY20. We thus expect a similar increase in the fiscal deficit from FY21BE of 3.5% of GDP to 5.5% of GDP. States too would require additional borrowing in FY21, thus consolidated fiscal deficit is estimated to be 10% of GDP.
- US nonfarm employment fell to its lowest since 1939 by 20.5mn in Apr'20 (est.: 21mn) and against 0.7mn in Mar'19. Unemployment rate rose sharply to 14.7% (4.4% in Mar'20). COVID-19 driven economic loss was visible in part-time layoffs. The biggest hit was the leisure and hospitality industry.
- Germany's exports fell by 7.9% in Mar'20 on a YoY basis vs 0.3% increase in Feb'20. With lockdowns in place in most of the European countries in Mar'20, exports to Eurozone fell the most (11%) compared with rest of the world (4.3%). Imports too declined by 4.5% versus 2.8% dip in Feb'20.

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### Markets

- Bonds:** Global yields closed mixed. Macro prints globally remained dismal. US 10Y yield rose by 4bps (0.68%) as US treasury announced a new 20-year note to fund a record level of borrowing. Crude prices rose by 5% (US\$ 31/bbl). India's 10Y yield fell by 6bps (5.97%). It is trading higher 27bps higher at 6.24% today due to centre's higher borrowing plan in FY21.
- Currency:** Except EUR (flat) and JPY, other global currencies closed higher against the dollar. DXY fell by 0.2% as US unemployment rate rose to 14.7%. Other currencies gained led by AUD which rose by 0.6%. INR too edged higher by 0.3%. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Global indices ended higher as countries plan to ease lockdown restrictions and reopen economies in a phased manner. Nikkei (2.6%) surged the most, followed by Dow (1.9%) despite poor macro print (US nonfarm payrolls). Sensex (0.6%) too ended in green led by gains in tech 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	0.68	4	7	(9)	(90)	(176)
UK	0.24	0	(1)	(15)	(34)	(89)
Japan	(0.00)	(1)	2	(3)	4	5
Germany	(0.54)	1	5	(23)	(15)	(49)
India	5.97	(6)	(14)	(47)	(47)	(143)
China	2.61	(1)	9	13	(20)	(70)
<b>2Y yields (Δ bps)</b>						
US	0.16	2	(3)	(10)	(124)	(210)
UK	(0.01)	0	(5)	(12)	(50)	(74)
Japan	(0.15)	(1)	(1)	(5)	(1)	0
Germany	(0.78)	(2)	(2)	(18)	(14)	(15)
India	4.37	(2)	(19)	(96)	(140)	(237)
China	1.19	1	7	(4)	(104)	(141)
<b>Currencies (Δ %)</b>						
EUR	1.0839	0	(1.3)	(0.2)	(1.0)	(3.4)
GBP	1.2410	0.4	(0.8)	0.2	(3.7)	(4.6)
JPY	106.65	(0.3)	0.2	2.0	2.8	2.8
AUD	0.6532	0.6	1.8	4.8	(2.1)	(6.5)
INR	75.55	0.3	(0.6)	1.0	(5.8)	(8.0)
CNY	7.0742	0.1	(0.2)	(0.1)	(1.0)	(3.6)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	24,331	1.9	2.6	3.8	(16.4)	(5.8)
FTSE	5,936	1.4	3.0	4.5	(20.5)	(17.6)
DAX	10,904	1.3	0.4	5.5	(19.3)	(8.9)
NIKKEI	20,179	2.6	2.9	4.3	(15.3)	(5.7)
Shanghai Comp	2,895	0.8	1.2	2.8	0.7	1.6
SENSEX	31,643	0.6	(6.2)	5.8	(23.1)	(15.8)
Brent (US\$/bbl)	30.97	5.1	17.1	(5.7)	(43.1)	(56.0)
Gold (US\$/oz)	1,703	(0.8)	0.1	3.4	8.4	32.6
CRB Index	360.9	0.8	2.2	(0.5)	(10.2)	(12.5)
Rogers Agri Index	660.3	0.6	1.0	0.8	(10.6)	(5.9)
LIBOR (3M)*	0.43	(1)	(11)	(88)	(130)	(210)
INR 5Y Swap*	5.24	(2)	2	(78)	(121)	(186)
<b>India FII data (US\$ mn)</b>						
	<b>5 May</b>	<b>4 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(7.7)	(38.9)	(46.6)	(46.6)	(11,390.3)	(1,630.8)
FII-Equity	(42.9)	(123.3)	(166.1)	(166.1)	(6,799.6)	(196.7)

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

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