

MACRO DAILY

12 March 2020

Macro developments

- RBI bought net US\$ 10.3bn in Jan'20 in the spot market (highest in 5 years) vs US\$ 4.4bn in Dec'19. In FYTD20, RBI has purchased US\$ 40bn in the spot market vs net sales of US\$ 25.6bn last year. In the forwards market, RBI purchased US\$ 0.7bn vs US\$ 4.3bn in Dec'19. RBI's net outstanding forward position is at (-) US\$ 1.2bn vs (-) 3bn in Jan'19.
- US CPI rose by 0.1% in Feb'20 (est.: 0%), unchanged from Jan'20. Downward pressure from falling energy prices (-2% vs -0.7%) was offset by higher prices of food (0.4% vs 0.2%) and autos (0.4% vs -1.2%). Core inflation remained unchanged in Feb'20 at 0.2%. On a YoY basis, it is up at 2.4% vs 2.3% in Jan'20, with pressures visible in goods more than services.
- BoE has cut policy rate (Bank rate) by 50bps to 0.25%, on the back of downside risks to growth. It has also announced couple of measures to combat economic shock emanating from COVID-19. New term-funding scheme has been introduced to support SMEs. Further to boost lending by commercial banks, UK countercyclical capital buffer has been reduced to 0% for at least 12-months from the current requirement of 1%.

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Markets

- **Bonds:** Except Japan, global yields closed higher. US 10Y yield rose by 7bps (0.87%) as fiscal stimulus is anticipated to support growth. Oil prices fell by (-) 3.8% (US\$ 36/bbl) as WHO declared COVID-19 outbreak as pandemic. Apart from this, US travel ban on Europe also impacted crude prices. India's 10Y yield rose by 6bps (6.13%) following global cues. It is trading higher at 6.19% today, ahead of release of CPI data.
- **Currency:** Barring INR and JPY, other global currencies closed lower amidst increasing global spread of COVID-19. GBP fell by (-) 0.7% after BoE unexpectedly cut rates. JPY gained 1% on the back of a risk-off sentiment. INR rose by 0.6%. However, it is trading lower today in line with other Asian currencies.
- **Equity:** Global indices closed lower as WHO declared COVID-19 outbreak a pandemic. Dow slumped by (-) 5.9% followed by Nikkei (-2.3%). European markets ended in red despite BoE reducing rates. However, Sensex (0.2%) gained with cap goods stocks advancing the most. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.87	7	(18)	(70)	(92)	(175)
UK	0.30	6	(7)	(26)	(48)	(90)
Japan	(0.07)	(2)	6	(1)	(7)	(2)
Germany	(0.74)	5	(10)	(33)	(42)	(81)
India	6.13	6	(10)	(32)	(64)	(125)
China	2.64	2	(5)	(15)	(55)	(51)
2Y yields (Δ bps)						
US	0.52	(1)	(17)	(87)	(109)	(195)
UK	0.16	(1)	(5)	(33)	(42)	(60)
Japan	(0.22)	2	4	(7)	(11)	(7)
Germany	(0.95)	1	(11)	(31)	(31)	(40)
India	5.32	3	(6)	(44)	(44)	(137)
China	1.96	(1)	(34)	(33)	(64)	(47)
Currencies (Δ %)						
EUR	1.1270	(0.1)	1.2	3.3	1.3	(0.5)
GBP	1.2820	(0.7)	(0.4)	(0.7)	(2.8)	(3.9)
JPY	104.54	1.0	2.8	4.8	3.7	6.0
AUD	0.6484	(0.3)	(2.2)	(3.0)	(5.7)	(8.6)
INR	73.64	0.6	(0.6)	(3.3)	(4.0)	(5.9)
CNY	6.9606	0	(0.5)	0.3	1.1	(3.8)
Equity & Other indices (Δ %)						
Dow	23,553	(5.9)	(13.1)	(19.5)	(15.6)	(8.4)
FTSE	5,877	(1.4)	(13.8)	(21.1)	(18.6)	(17.9)
DAX	10,439	(0.4)	(13.9)	(22.6)	(20.6)	(9.8)
NIKKEI	19,416	(2.3)	(8.0)	(18.0)	(17.0)	(8.8)
Shanghai Comp	2,969	(0.9)	(1.4)	2.7	1.5	(1.9)
SENSEX	35,697	0.2	(7.1)	(12.9)	(11.7)	(5.4)
Brent (US\$/bbl)	35.79	(3.8)	(30.0)	(32.8)	(43.8)	(47.0)
Gold (US\$/oz)	1,635	(0.9)	(0.1)	4.0	10.9	24.9
CRB Index	396.0	0	(0.9)	(1.4)	0.5	(5.6)
Rogers Agri Index	688.6	(0.7)	(3.5)	(6.8)	(5.4)	(8.2)
LIBOR (3M)*	0.78	2	(22)	(93)	(110)	(183)
INR 5Y Swap*	5.66	(3)	(15)	(80)	(90)	(129)
India FII data (US\$ mn)						
FII-Debt	124.3	5.8	(122.4)	(122.4)	(1,689.5)	1,254.7
FII-Equity	(948.2)	(472.5)	(2,194.6)	(2,194.6)	(407.7)	6,981.5

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

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