

MACRO DAILY

13 May 2020

Macro developments

- Government has announced stimulus of Rs 20tn (10% of GDP) to combat the economic crisis. This makes India well placed with Japan (stimulus: 21% of GDP) and US (stimulus: 13% of GDP). The Rs 20tn stimulus includes previously announced Rs 1.7tn Pradhan Mantri Garib Kalyan Package and Rs 6.5tn of monetary stimulus and liquidity measures undertaken by RBI. The rest is to be centred on land, labour, liquidity and laws with focus on MSMEs, labourers, middle class, and industries.
- India's IIP growth contracted by 16.7% in Mar'20 versus 4.5% increase in Feb'20, led by manufacturing sector (20.6%) and electricity (6.8%). Separately, consumer food inflation rose to 10.5% in Apr'20 from 8.8% in Mar'20. This was driven by 5% increase in vegetable inflation and 7.8% increase in cereal inflation. Prices of milk and pulses also rose.
- US CPI fell by 0.8% in Apr'20 on MoM basis versus 0.4% drop in Mar'20. The biggest drag was 20.6% decline in gasoline prices versus 10.5% decline in Mar'20. Core inflation fell by 0.4% from 0.1% decline in Mar'20. This was the sharpest dip since CY57 and was driven by lower prices of apparels, transportation services and used cars and trucks.

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Markets

- Bonds:** Except Germany, global yields closed lower amidst fear of fresh COVID-19 cases in China and South Korea. US 10Y yield fell by 4bps (0.67%). Crude prices rose by 1.2% (US\$ 30/bbl) as Saudi Arabia pledged for more output cuts. India's 10Y yield closed flat at 6.17%. It is trading higher by 5bps at 6.22% amidst announcement of fresh fiscal stimulus.
- Currency:** Barring GBP and AUD, other global currencies closed higher as dollar weakened. DXY fell by 0.5% ahead of Fed Chair's speech today. EUR gained 0.4% and JPY was up by 0.5%. INR too edged higher by 0.3%. It is trading higher today while other Asian currencies are trading lower.
- Equity:** Apart from FTSE, global indices ended lower as fears of a possible second wave of COVID-19 became more prominent. Dow (1.9%) dropped the most followed Sensex (0.6%). The fall in domestic markets was accentuated by losses in oil and gas stocks. However, it is trading higher today; while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.67	(4)	0	(5)	(94)	(175)
UK	0.25	(2)	4	(6)	(32)	(86)
Japan	0.00	(1)	2	(2)	6	5
Germany	(0.51)	1	7	(16)	(11)	(44)
India	6.17	0	9	(32)	(30)	(121)
China	2.65	0	13	10	(19)	(64)
2Y yields (Δ bps)						
US	0.16	(2)	(3)	(7)	(126)	(204)
UK	(0.01)	(2)	(3)	(5)	(52)	(73)
Japan	(0.14)	(1)	0	2	2	2
Germany	(0.72)	3	7	(10)	(8)	(9)
India	4.50	7	0	(74)	(129)	(219)
China	1.24	0	12	4	(99)	(136)
Currencies (Δ %)						
EUR	1.0848	0.4	0.1	(0.8)	(0.6)	(3.2)
GBP	1.2260	(0.6)	(1.4)	(1.6)	(5.3)	(5.0)
JPY	107.14	0.5	(0.5)	1.2	2.4	2.3
AUD	0.6471	(0.3)	0.6	1.9	(3.6)	(6.8)
INR	75.51	0.3	0.2	1.0	(5.9)	(7.2)
CNY	7.0835	0.2	(0.3)	(0.7)	(1.7)	(3.0)
Equity & Other indices (Δ %)						
Dow	23,765	(1.9)	(0.5)	0.2	(18.8)	(6.9)
FTSE	5,995	0.9	2.5	2.6	(20.1)	(17.2)
DAX	10,820	(0.1)	0.8	2.4	(20.6)	(9.8)
NIKKEI	20,366	(0.1)	0.9	5.3	(14.0)	(3.3)
Shanghai Comp	2,892	(0.1)	1.1	2.3	(0.3)	0.3
SENSEX	31,371	(0.6)	(0.3)	0.7	(23.9)	(15.9)
Brent (US\$/bbl)	29.98	1.2	(3.2)	(4.8)	(44.5)	(57.9)
Gold (US\$/oz)	1,703	0.3	(0.2)	1.1	8.6	31.3
CRB Index	362.0	(0.0)	3.2	(0.0)	(10.1)	(11.8)
Rogers Agri Index	661.8	0.6	1.7	0.4	(10.2)	(6.6)
LIBOR (3M)*	0.43	0	(4)	(79)	(127)	(209)
INR 5Y Swap*	5.31	0	2	(72)	(117)	(168)
India FII data (US\$ mn)						
	11 May	8 May	WTD	MTD	CYTD	FYTD
FII-Debt	(433.0)	(323.7)	(433.0)	(828.2)	(12,171.9)	(2,412.4)
FII-Equity	85.8	285.5	85.8	2,467.3	(4,166.2)	2,436.7

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

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