

MACRO DAILY

16 April 2020

Macro developments

- India's exports fell steeply in Mar'20 by 34.6% versus an increase of 2.9% in Feb'20. Apart from domestic lockdown, sharp reduction in global demand also contributed to the decline. Imports too plunged by 28.7% in Mar'20 versus an increase of 2.5% in Feb'20. Non-oil-non-gold imports fell by 30.5% registering the biggest decline on record as the COVID-19 restrictions kicked-in. We expect trade deficit to be even lower in FY21.
- Government has granted relaxation to certain sectors from 20 Apr to revive the economy. Focus has been on health, rural economy especially agriculture, MSME, construction and infra. States with a high share in agriculture such as MP, Punjab, AP and UP will benefit. Separately, IMD has forecasted a normal southwest monsoon (100% of LPA+/-5%).
- Industrial production in the US contracted by 5.4% in Mar'20 vs 0.5% increase seen in Feb'20 on a MoM basis. The worst print since 1946 shows the impact of partial lockdown. Within this, manufacturing activity fell by 6.3%. Production of business equipment fell the most (-8.6%) followed by consumer goods (-5.9%) and construction (-5.8%).

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Markets

- Bonds:** Except China, global yields closed lower on fears of economic impact of COVID-19. US 10Y fell by 12bps (0.63%) as retail sales and factory output data disappointed. Crude prices fell by 3.7% (US\$ 29/bbl) as EIA report showed that demand would fall. India's 10Y yield fell by 7bps (6.43%) amidst hopes of revival due to relaxation in lockdown. It is trading flat today.
- Currency:** Global currencies closed lower as dollar strengthened. DXY rose by 0.7% after data showed that US retail sales fell to a record low in Mar'20, igniting fears of a sharp recession in global economy. AUD and GBP fell the most. INR too depreciated to a fresh record low at 76.66/\$. INR is trading even lower today in line with other Asian currencies.
- Equity:** Global indices ended in red on the back of escalated concerns surrounding the economic impact of COVID-19 pandemic and weaker data print. Dax (-3.9%) dropped the most followed by FTSE (-3.3%) and Dow (-1.9%). Sensex (-1%) too ended in red led by subdued global cues stocks. Sensex 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	0.63	(12)	(8)	(21)	(106)	(184)
UK	0.29	(5)	(12)	(7)	(38)	(88)
Japan	0.00	(3)	(2)	(2)	1	5
Germany	(0.45)	(8)	(14)	17	(21)	(44)
India	6.43	(7)	1	17	(17)	(90)
China	2.55	0	4	(14)	(55)	(85)
2Y yields (Δ bps)						
US	0.20	(2)	(7)	(16)	(138)	(219)
UK	0.06	(1)	(6)	(23)	(41)	(73)
Japan	(0.17)	(3)	(0)	5	(2)	0
Germany	(0.73)	(7)	(13)	21	(8)	(9)
India	5.22	(2)	(14)	(29)	(99)	(147)
China	1.20	0	(17)	(76)	(108)	(132)
Currencies (Δ %)						
EUR	1.0906	(0.7)	0.4	(1.1)	(1.3)	(2.7)
GBP	1.2474	(1.2)	0.7	2.8	(3.0)	(3.3)
JPY	107.46	(0.2)	1.3	0.4	2.5	4.3
AUD	0.6319	(1.9)	1.4	3.9	(6.7)	(10.2)
INR	76.66	(0.5)	(0.4)	(3.2)	(7.6)	(9.6)
CNY	7.0674	(0.2)	0	(0.6)	(2.4)	(5.1)
Equity & Other indices (Δ %)						
Dow	23,504	(1.9)	0.3	3.3	(17.2)	(9.5)
FTSE	5,598	(3.3)	(1.4)	7.9	(24.0)	(22.5)
DAX	10,280	(3.9)	(0.5)	15.9	(20.5)	(11.6)
NIKKEI	19,550	(0.5)	1.0	12.7	(18.3)	(11.6)
Shanghai Comp	2,811	(0.6)	(0.1)	(2.1)	(9.0)	(13.1)
SENSEX	30,379	(1)	(1.6)	(10.0)	(26.8)	(21.9)
Brent (US\$/bbl)	28.50	(3.7)	(13.2)	(12.6)	(54.1)	(58.7)
Gold (US\$/oz)	1,721	(0.3)	4.6	12.9	11.7	35.3
CRB Index	353.8	(0.2)	(2.5)	(8.7)	(13.8)	(16.7)
Rogers Agri Index	648.5	(0.5)	(0.8)	(3.1)	(15.3)	(12.7)
LIBOR (3M)*	1.22	(9)	(10)	38	(62)	(138)
INR 5Y Swap*	5.97	0	(5)	31	(88)	(73)
India FII data (US\$ mn)						
	13 Apr	9 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(62.7)	(183.1)	(62.7)	(814.5)	(10,574.0)	(814.5)
FII-Equity	(139.7)	246.8	(139.7)	218.3	(6,384.7)	218.3

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

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