

## MACRO DAILY

17 March 2020

### Macro developments

- In an effort to boost durable liquidity to combat the impact of COVID-19, RBI has announced that it will conduct LTROs in multiple tranches at policy rate, amounting to Rs 1tn. Till now, Rs 1tn LTROs have already been issued. Further, to maintain dollar liquidity into the system, RBI has announced another US\$ sell-buy swap of US\$ 2bn. RBI has already conducted US\$ 7bn of swap in FYTD20.
- Bank of Japan in its emergency policy meeting has announced to expand monetary stimulus to combat the impact of COVID-19. As the policy rates are already at (-) 0.1%, expanding its asset buying program through purchasing of stocks, bonds, other asset and the new credit program (1-year loan with zero rate to encourage lending) is likely to boost liquidity.
- China's industrial production plunged by (-) 13.5% in Jan-Feb'20 vs est.: (-) 3% and 6.9% in Dec'19, led by manufacturing (-) 15.7%. General equipment manufacturing, autos, textiles and metal industries suffered the most. In addition, FAI too fell sharply to (-) 24.5% from 5.4% in CY19, retail sales also slumped to (-) 20.5% from 8% in Dec'19. The severe collapse in economic activity was driven by factory shutdowns and city lockdowns on the back of COVID-19.

Dipanwita Mazumdar | Sameer Narang  
 chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields closed mixed as fear of COVID-19 rattled financial markets. Central banks response to improve liquidity continued. US 10Y yield fell by 24bps (0.72%). Oil prices fell by (-) 11% (US\$ 30/bbl). India's 10Y yield declined by 11bps (6.21%), following US 10Y yield. It is trading 4bps higher at 6.25% today, as RBI measures failed to lift sentiments.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.7% after US Fed cut interest rates by 100bps. JPY rose by 1.7% on safe-haven demand. INR depreciated by (-) 0.5% on the back of continued FII outflows. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices closed lower on concerns over COVID-19 and sharper than estimated decline in China's macro data. Dow fell by (-) 12.9%, noting its steepest single day fall since 'Black Monday' even as Fed cut policy rates by 100bps. Sensex too fell by (-) 8% after RBI kept rates unchanged. 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
<b>10Y yields (Δ bps)</b>						
US	0.72	(24)	18	(87)	(115)	(189)
UK	0.44	3	28	(19)	(38)	(76)
Japan	0.02	(4)	18	4	3	5
Germany	(0.46)	8	40	(6)	(18)	(54)
India	6.21	(11)	14	(16)	(59)	(111)
China	2.67	(1)	14	(19)	(53)	(47)
<b>2Y yields (Δ bps)</b>						
US	0.36	(13)	(2)	(107)	(127)	(209)
UK	0.27	(2)	18	(28)	(33)	(49)
Japan	(0.17)	2	14	(4)	(4)	(1)
Germany	(0.89)	(2)	12	(23)	(26)	(36)
India	5.41	(10)	12	(30)	(40)	(117)
China	1.96	(1)	(34)	(33)	(64)	(46)
<b>Currencies (Δ %)</b>						
EUR	1.1183	0.7	(2.3)	3.2	0.3	(1.4)
GBP	1.2271	(0.1)	(6.4)	(5.9)	(8.0)	(7.4)
JPY	105.83	1.7	(3.4)	3.6	3.4	5.0
AUD	0.6117	(1.4)	(7.1)	(8.9)	(11.2)	(13.9)
INR	74.27	(0.5)	(0.3)	(4.1)	(4.6)	(8.4)
CNY	6.9934	0.2	(0.7)	(0.1)	0	(4.2)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	20,189	(12.9)	(15.4)	(31.3)	(28.5)	(22.1)
FTSE	5,151	(4.0)	(13.7)	(30.5)	(31.5)	(29.4)
DAX	8,742	(5.3)	(17.7)	(36.4)	(34.8)	(25.0)
NIKKEI	17,002	(2.5)	(13.7)	(28.2)	(29.0)	(21.2)
Shanghai Comp	2,789	(3.4)	(5.2)	(4.4)	(6.5)	(9.9)
SENSEX	31,390	(8.0)	(11.9)	(23.9)	(23.3)	(17.6)
Brent (US\$/bbl)	30.05	(11.2)	(12.5)	(47.6)	(54.0)	(55.5)
Gold (US\$/oz)	1,514	(1.0)	(9.9)	(4.4)	2.6	16.1
CRB Index	380.6	(1.7)	(3.7)	(5.1)	(4.6)	(9.4)
Rogers Agri Index	651.8	(2.6)	(5.2)	(11.5)	(12.9)	(13.8)
LIBOR (3M)*	0.84	10	(5)	(85)	(106)	(179)
INR 5Y Swap*	5.66	(1)	2	(73)	(92)	(97)
<b>India FII data (US\$ mn)</b>						
	<b>13 Mar</b>	<b>12 Mar</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(874.6)	(403.0)	(2,230.4)	(2,477.0)	(4,044.1)	(1,100.0)
FII-Equity	(910.1)	(243.0)	(2,573.2)	(3,819.6)	(2,032.7)	5,356.5

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

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### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)