

## MACRO DAILY

19 March 2020

### Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 258.2bn and stood at Rs 23.9tn for the week ending 13 Mar 2020. Reserve money rose by 9.6% on a YoY basis, compared with 18.5% a year ago. On a FYTD basis, reserve money increased by 9.3% as against 14.3% last year.
- US housing starts declined by (-) 1.5% to 1.6mn in Feb'20 vs (-) 3.6% in Jan'20, on MoM basis. This was driven by sharp decline in the construction of multi-family housing units. Building permits also fell by (-) 5.5% to 1.46mn in Feb'20. Muted housing demand is on the back of slowdown in growth and fear of COVID-19.
- Japan's exports fell for the 15th straight month by (-) 1% in Feb'20 vs (-) 2.6% in Jan'20 on the back of falling exports to US and China. Imports too plunged by (-) 14% led by a (-) 47.1% decline in imports from China. Trade surplus expanded to ¥ 1.1tn, highest since Sep'07. Separate data showed that CPI inflation cooled off to 0.4% in Feb'20 from 0.7% in Jan'20 led by lower energy prices. Core inflation too eased to 0.6% vs 0.8%.

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

### Markets

- **Bonds:** Global yields closed higher as global central banks are infusing liquidity- ECB launched € 750bn emergency bond purchase program, RBI announced Rs 100bn OMO purchase. Fiscal stimulus is also forthcoming from US and Japan. US 10Y yield rose by 11bps (1.19%). Oil prices fell by (-) 13% (US\$ 25/bbl-lowest since Apr'03). India's 10Y yield rose by 3bps (6.3%), due to weakening INR. It is trading higher at 6.38% today.
- **Currency:** Global currencies closed lower against the dollar. DXY rose by 1.6% to its highest in 3-years on hopes of further stimulus measures. While AUD depreciated by (-) 3.8% to its lowest since Jan'03, GBP too depreciated by (-) 3.7% to its lowest since Mar'85. INR is trading at a fresh historic low at 75.2/\$. Asian currencies are also trading lower.
- **Equity:** Global indices closed lower amidst escalated fears over the impact of COVID-19. Dow (-6.3%), Dax (-5.6%) and FTSE (-4%) declined the most. Sensex (-5.6%) too ended in red led by subdued global cues. Banking stocks were the worst hit. Sensex is trading further 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	1.19	11	32	(39)	(73)	(133)
UK	0.80	24	50	16	2	(36)
Japan	0.08	6	15	11	9	12
Germany	(0.24)	20	51	17	1	(32)
India	6.30	3	17	(9)	(41)	(107)
China	2.72	0	8	(17)	(52)	(43)
<b>2Y yields (Δ bps)</b>						
US	0.53	4	1	(89)	(110)	(186)
UK	0.35	3	19	(21)	(18)	(40)
Japan	(0.15)	3	8	(1)	(3)	1
Germany	(0.76)	8	19	(11)	(13)	(23)
India	5.53	(8)	20	(17)	(26)	(108)
China	1.96	(1)	(34)	(33)	(63)	(46)
<b>Currencies (Δ %)</b>						
EUR	1.0915	(0.7)	(3.1)	0.7	(1.8)	(4.4)
GBP	1.1608	(3.7)	(9.5)	(10.8)	(11.2)	(12.0)
JPY	108.08	(0.4)	(3.4)	1.6	1.3	2.4
AUD	0.5773	(3.8)	(11.0)	(14.0)	(15.8)	(18.9)
INR	74.27	(0.1)	(0.8)	(4.2)	(4.6)	(7.9)
CNY	7.0475	(0.6)	(1.2)	(0.9)	(0.6)	(5.3)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	19,899	(6.3)	(15.5)	(31.9)	(29.5)	(22.7)
FTSE	5,081	(4.0)	(13.5)	(31.7)	(32.6)	(30.3)
DAX	8,442	(5.6)	(19.1)	(38.8)	(36.2)	(27.3)
NIKKEI	16,727	(1.7)	(13.9)	(28.9)	(30.1)	(22.6)
Shanghai Comp	2,729	(1.8)	(8.1)	(8.5)	(9.6)	(11.7)
SENSEX	28,870	(5.6)	(19.1)	(29.7)	(30.5)	(24.8)
Brent (US\$/bbl)	24.88	(13.4)	(30.5)	(56.9)	(62.4)	(63.7)
Gold (US\$/oz)	1,486	(2.8)	(9.1)	(6.0)	0.7	13.2
CRB Index	377.2	0	(4.7)	(6.5)	(5.2)	(10.6)
Rogers Agri Index	645.7	(0.8)	(6.2)	(13.2)	(13.5)	(15.0)
LIBOR (3M)*	1.05	16	28	(64)	(86)	(156)
INR 5Y Swap*	5.91	25	26	(49)	(72)	(70)
<b>India FII data (US\$ mn)</b>						
	<b>17 Mar</b>	<b>16 Mar</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(1,103.8)	(1,542.3)	(2,646.1)	(5,123.1)	(6,690.2)	(3,746.1)
FII-Equity	(494.8)	(632.8)	(1,127.6)	(4,947.2)	(3,160.3)	4,229.0

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

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

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