

**MACRO DAILY**

19 May 2020

**Macro developments**

- NABARD has disbursed Rs 205bn to cooperative banks and RRBs. This is part of the Rs 250bn refinance facility provided by RBI and will enable cooperative banks to front load their resources and ensure liquidity to farmers. RBI has also provided Rs 150bn to SIDBI and Rs 100bn to NHB, taking the total quantum of refinance facilities to Rs 500bn.
- India has opposed the demand by developed countries for permanent concessional tariffs on medicinal products etc., amidst the COVID-19 pandemic. It has been argued that the developed countries are using this to gain undue market access. However, as domestic medicinal industry is relatively at a nascent stage it needs tariff protection.
- RBA Minutes revealed that the last policy decision (keeping rate unchanged at 0.25%) was taken with baseline assumption of 10% contraction in H1CY20 GDP and 6% decline in GDP in CY20. It was stressed that recovery will be dependent more on public health measures rather than economic and financial measures. Inflation is expected to miss the 2-3% medium-term target for the next few years.

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**Markets**

- **Bonds:** Except Japan and India, global yields closed high as risk appetite improved on hopes of discovery of COVID-19 vaccine. US 10Y yield rose by 9bps (0.73%). Crude prices rose by 7.1% (US\$ 35/bbl) on hopes of demand recovery. India's 10Y yield fell by 3bps (6.05%) on expectation of monetary stimulus from RBI. It is trading further lower at 6.03% today.
- **Currency:** Global currencies closed mixed. DXY edged lower by 0.8% as hopes of a COVID-19 vaccine boosted risk sentiment. EUR gained by 0.4% as Germany and France announced a € 500bn recovery fund for EU. INR depreciated by 0.4% tracking losses in local equities. However, it is trading higher today in line other Asian currencies.
- **Equity:** Except Sensex, other global indices ended higher on hopes on COVID-19 vaccine. Dax (5.7%) surged the most followed by FTSE (4.3%) and Dow (3.9%). However, Sensex (3.4%) ended in red dragged down by banking stocks. It is trading higher 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	0.73	9	2	(11)	(94)	(175)
UK	0.26	3	(1)	(11)	(40)	(80)
Japan	0	0	(2)	(3)	3	5
Germany	(0.47)	6	4	(15)	(13)	(43)
India	6.05	(3)	(12)	(42)	(29)	(128)
China	2.70	4	6	11	(21)	(61)
<b>2Y yields (Δ bps)</b>						
US	0.18	(2)	1	(7)	(128)	(205)
UK	(0.01)	(1)	(2)	(8)	(55)	(70)
Japan	(0.17)	(3)	(4)	(0)	(1)	1
Germany	(0.71)	2	4	(7)	(7)	(8)
India	4.50	0	7	(71)	(121)	(216)
China	1.21	0	1	0	(102)	(140)
<b>Currencies (Δ %)</b>						
EUR	1.0858	0.4	0.5	(1.5)	(0.1)	(3.0)
GBP	1.2194	0.6	(1.1)	(4.0)	(7.1)	(4.8)
JPY	107.34	(0.3)	0.3	0.1	2.5	2.7
AUD	0.6524	1.7	0.5	(0.5)	(4.5)	(6.6)
INR	75.91	(0.4)	(0.2)	0.9	(5.9)	(7.6)
CNY	7.1092	(0.1)	(0.1)	(0.7)	(1.6)	(2.7)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	24,597	3.9	1.5	(1.1)	(19.4)	(8.1)
FTSE	6,049	4.3	1.8	0.1	(21.7)	(21.1)
DAX	11,059	5.7	2.2	(2.2)	(23.9)	(14.5)
NIKKEI	20,134	0.5	(1.3)	2.0	(15.4)	(5.7)
Shanghai Comp	2,875	0.2	(0.7)	1.5	(1.7)	(0.5)
SENSEX	30,029	(3.4)	(4.9)	1.3	(24.6)	(18.0)
Brent (US\$/bbl)	34.81	7.1	17.5	9.8	(43.3)	(55.0)
Gold (US\$/oz)	24,597	3.9	1.5	(1.1)	(19.4)	(8.1)
CRB Index	6,049	4.3	1.8	0.1	(21.7)	(21.1)
Rogers Agri Index	11,059	5.7	2.2	(2.2)	(23.9)	(14.5)
LIBOR (3M)*	20,134	0.5	(1.3)	2.0	(15.4)	(5.7)
INR 5Y Swap*	2,875	0.2	(0.7)	1.5	(1.7)	(0.5)
<b>India FII data (US\$ mn)</b>						
	<b>15 May</b>	<b>14 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	127.8	(746.5)	(1,667.6)	(2,062.8)	(13,406.6)	(3,647.1)
FII-Equity	(332.3)	(314.0)	(785.7)	1,595.8	(5,037.7)	1,565.3

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

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