

MACRO DAILY

22 April 2020

Macro developments

- As per news reports, government is likely to announce another stimulus package amounting to Rs 6-8tn (3-4% of GDP). Earlier too government had announced a stimulus of Rs 1.7tn (0.8% of GDP). It is expected to focus on easing credit constraints and providing relief to MSMEs.
- Germany's ZEW economic sentiment index rose to 28.2 in Apr'20 from (-) 49.5 in Mar'20. The current situation index however worsened further to (-) 91.5 points from (-) 43.1 in Mar'20. This is mainly because participants do not expect positive GDP growth till Q3CY20. GDP is estimated to go back to pre-COVID-19 levels only in CY22 now.
- Minutes of RBA's latest policy meet reiterated that the bank awaits the results of considerable monetary and fiscal stimulus already provided. It expects less frequent bond purchase program going forward to maintain the 3Y yield ~0.25%. The bank also expects the economy to contract by 10% in H1CY20, with the highest impact in Q2CY20. Unemployment rate is also estimated at 10%—highest since CY94.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields broadly closed lower as crash in US crude prices escalated demand for sovereign bonds. US 10Y fell by 3bps (0.58%) as US home sales dropped to a more than 4-year low in Mar'20. Crude prices fell by 15% to an 18-year low at US\$ 22/bbl amidst muted demand. India's 10Y yield closed flat at 6.21% and is trading at 6.20% today.
- Currency:** JPY and DXY closed higher on safe-haven demand as oil prices crashed. Other global currencies closed lower. GBP depreciated by 1.4% to a near 3-week low. INR depreciated to a lifetime low at 76.83/\$ tracking losses in local equity markets. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended lower led by plunge in oil prices and subdued global cues. Dax (4%) dropped the most, followed by Sensex (3.2%). Oil & gas stocks and banking stocks were amongst the worst hit. Sensex is trading higher today; while 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	0.58	(3)	(5)	(24)	(122)	(198)
UK	0.29	(4)	0	(23)	(31)	(86)
Japan	(0.06)	(8)	(6)	(6)	1	5
Germany	(0.48)	(3)	(2)	(13)	(23)	(47)
India	6.21	0	(22)	(5)	(44)	(127)
China	2.59	0	3	(10)	(47)	(83)
2Y yields (Δ bps)						
US	0.20	0	(3)	0.20	0	(3)
UK	0.05	(5)	(2)	0.05	(5)	(2)
Japan	(0.15)	(3)	(1)	(0.15)	(3)	(1)
Germany	(0.72)	(5)	(6)	(0.72)	(5)	(6)
India	4.82	(22)	(40)	4.82	(22)	(40)
China	1.22	2	(0)	1.22	2	0
Currencies (Δ %)						
EUR	1.0852	(0.1)	(1.2)	1.6	(2.1)	(3.5)
GBP	1.2272	(1.4)	(2.8)	7.0	(4.4)	(4.2)
JPY	107.35	0.3	(0.1)	3.0	2.3	3.9
AUD	0.6274	(1.0)	(2.6)	9.5	(7.8)	(11.2)
INR	76.83	(0.4)	(0.7)	(1.8)	(7.7)	(9.9)
CNY	7.0920	(0.3)	(0.6)	0.3	(3.0)	(5.4)
Equity & Other indices (Δ %)						
Dow	23,019	(2.7)	(3.9)	23.3	(19.4)	(10.8)
FTSE	5,641	(3.0)	(2.6)	12.0	(24.0)	(22.1)
DAX	10,250	(4.0)	(4.2)	19.6	(21.2)	(12.7)
NIKKEI	19,281	(2.0)	(1.8)	18.8	(18.3)	(11.5)
Shanghai Comp	2,827	(0.9)	0	3.9	(7.9)	(11.3)
SENSEX	30,637	(3.2)	(0.2)	5.8	(23.8)	(18.1)
Brent (US\$/bbl)	21.66	(15.3)	(26.8)	(5.2)	(60.8)	(65.5)
Gold (US\$/oz)	1,685	(0.6)	(2.4)	13.1	8.6	33.0
CRB Index	350.9	0	(1.0)	(6.2)	(14.5)	(17.3)
Rogers Agri Index	645.6	0	(1.0)	(1.7)	(15.5)	(12.5)
LIBOR (3M)*	1.11	(3)	(11)	(10)	(69)	(147)
INR 5Y Swap*	5.32	(25)	(65)	(88)	(145)	(136)
India FII data (US\$ mn)						
	20 Apr	17 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	201.2	(56.9)	201.2	(788.8)	(10,548.3)	(788.8)
FII-Equity	12.1	(126.3)	12.1	(113.7)	(6,716.7)	(113.7)

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



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com