

MACRO DAILY

22 May 2020

Macro developments

- Central government has sanctioned Rs 920.8bn for transfers to states for Apr-May'20. These transfers are part of tax devolution in central taxes. (Rs 7.8tn in FY21BE). In FYTD20 (Apr-Feb) states received only Rs 5.6tn against FY20RE of Rs 7.2tn, thus increasing their reliance on market borrowing (23%) in the wake of muted tax revenue growth (1.8%).
- US existing home sales in Apr'20 noted sharp decline (by 17.8% to 4.33mn) in past 10 years. Both its manufacturing and services PMI (flash) remained in contraction at 39.8 and 36.9 respectively, in May'20. However, jobless claims (2.44mn) showed some moderation (decrease of 0.2mn claims against last week), with easing of lockdown restrictions.
- Global manufacturing and services activity improved in May'20 after declining to multi-year lows in Apr'20 as countries started easing lockdown restrictions. However, activity remained in contraction zone (below 50). While manufacturing and services PMI picked up in the UK and Euro Zone, Japan's manufacturing PMI fell from 34.7 to 31.7 in Apr'20. Employment declined across the board.

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Markets

- Bonds:** Except China, global yields closed lower as macro prints remained dismal. Further US-China trade tensions and reports of Beijing's new security laws on Hong Kong also added to woes. US 10Y closed flat at 0.68%. Crude prices rose by 1.3% (US\$ 36/bbl). India's 10Y yield fell by 1bps (6.03%). It is expected to open lower today, on expectation of more stimulus from RBI.
- Currency:** Except INR and EUR, other global currencies closed lower. DXY rose by 0.2% after falling for four straight sessions as US-China tensions resurface. GBP depreciated by 0.2% amidst concerns over negative rates. INR rose by 0.2%. Asian currencies are trading lower today.
- Equity:** Barring Sensex, global indices ended lower led by concerns over US-China trade relations. Dax (1.9%) dropped the most followed by FTSE (0.9%). However, Sensex (0.4%) ended in green with easing of restrictions. It was supported by DIJ inflow of Rs 4bn. It is trading higher today while other 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	0.68	0	6	4	(89)	(170)
UK	0.17	(6)	(3)	(8)	(37)	(79)
Japan	(0.00)	(1)	0	(2)	5	6
Germany	(0.49)	(2)	5	0	(5)	(38)
India	6.03	(1)	(3)	(31)	(35)	(122)
China	2.68	1	0	12	(21)	(65)
2Y yields (Δ bps)						
US	0.17	1	2	(4)	(126)	(206)
UK	(0.06)	(4)	(3)	(11)	(54)	(71)
Japan	(0.18)	(3)	(3)	(2)	1	0
Germany	(0.70)	(3)	4	1	(3)	(4)
India	4.51	(1)	0	(30)	(117)	(205)
China	1.41	3	20	16	(86)	(123)
Currencies (Δ %)						
EUR	1.0986	0.1	1.7	1.0	1.6	(1.5)
GBP	1.2223	(0.2)	(0.1)	(2.0)	(5.2)	(3.3)
JPY	107.69	(0.1)	(0.4)	0	3.4	2.6
AUD	0.6558	(0.6)	1.5	3.6	(1.2)	(4.1)
INR	75.62	0.2	(0.1)	0.8	(5.9)	(8.8)
CNY	7.1154	(0.3)	(0.3)	(0.3)	(1.4)	(2.7)
Equity & Other indices (Δ %)						
Dow	24,474	(0.4)	3.6	1.4	(16.3)	(4.7)
FTSE	6,015	(0.9)	4.8	4.8	(18.6)	(17.3)
DAX	11,066	(1.4)	7.1	5.6	(18.6)	(7.8)
NIKKEI	20,552	(0.2)	3.2	3.5	(12.0)	(3.2)
Shanghai Comp	2,868	(0.6)	(0.1)	1.6	(3.1)	(0.3)
SENSEX	30,933	0.4	(0.6)	(2.4)	(25.4)	(21.2)
Brent (US\$/bbl)	36.22	1.3	16.4	27.3	(39.5)	(49.6)
Gold (US\$/oz)	1,748	0.2	1.9	3.9	8.5	37.3
CRB Index	368.8	0.2	1.7	5.1	(8.5)	(10.8)
Rogers Agri Index	666.3	0.4	2.1	3.2	(10.6)	(7.8)
LIBOR (3M)*	0.37	0	(5)	(73)	(132)	(215)
INR 5Y Swap*	5.16	3	(9)	(41)	(126)	(178)
India FII data (US\$ mn)						
	20 May	19 May	WTD	MTD	CYTD	FYTD
FII-Debt	31.1	(116.8)	(287.3)	(2,350.1)	(13,693.9)	(3,934.4)
FII-Equity	(224.9)	(176.3)	(733.4)	862.4	(5,771.1)	831.9

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

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