

MACRO DAILY

23 April 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 196.3bn and stood at Rs 25tn for the week ending 17 Apr 2020. Reserve money rose by 8% on a YoY basis versus 15% a year ago. On a FYTD basis, reserve money declined by 0.5% as against an increase of 0.8% last year.
- Japan's manufacturing PMI index fell further to 37.8 in Apr'20 from 41.1 in Mar'20. Services activity index too fell to 22.8 in Apr'20 from 33.8 in Mar'20. These prints signal the economic impact of lockdown announced on 7 Apr 2020. This is the worst decline seen since the crisis of CY08 and tsunami of CY11. GDP is estimated to contract by over 10% in Q2CY20 as the lockdown is likely to be extended beyond 6 May 2020.
- Korea's GDP contracted by 1.4% in Q1CY20 on a QoQ basis versus 1.3% growth seen Q4CY19. The decline was led by sharp dip in consumer spending (6.4%) and exports (2%). Private consumption was lowest since the Asian financial crisis. At the start of Q2, exports between 1-20 Apr 2020 fell by 27%, indicating sharper contraction in Q2CY20. Analysts estimate GDP to fall by 6% in Q2.

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Markets

- **Bonds:** Except Japan and China, global yields closed higher as risk sentiment improved on the back of US stimulus. ECB also agreed to accept junk bonds as collateral to allow banks to finance themselves to tide over the crisis. Germany's 10Y yield rose the most (7bps) followed by US (5bps). Crude prices rose by 5% (US\$ 20/bbl). India's 10Y yield rose by 1bps (6.22%). It is trading at 6.21% today.
- **Currency:** Global currencies closed broadly higher as oil prices recovered some ground. While JPY closed flat, DXY ended 0.1% higher. EUR depreciated by 0.3%. AUD rose by 0.7% as Australia's retail sales rose to a record high in Mar'20 due to panic buying. INR rose by 0.2%. It is trading further higher today in line with other Asian currencies.
- **Equity:** Barring Nikkei, other global indices ended higher as oil prices rebounded. Sensex (2.4%) surged the most followed by FTSE (2.3%) and Dow (2%). Sensex gained on expectations of another fiscal stimulus package as well as the Reliance Jio-Facebook deal. It was further supported by DII inflow of Rs 8.6bn. 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
10Y yields (Δ bps)						
US	0.62	5	(1)	(17)	(115)	(190)
UK	0.33	3	3	(10)	(31)	(85)
Japan	0.00	(2)	(1)	(7)	0	4
Germany	(0.41)	7	6	(3)	(15)	(40)
India	6.22	1	(20)	(16)	(42)	(120)
China	2.55	(2)	1	(8)	(48)	(89)
2Y yields (Δ bps)						
US	0.21	1	2	(10)	(132)	(210)
UK	0.09	2	5	1	(36)	(67)
Japan	(0.13)	(2)	1	6	(1)	2
Germany	(0.66)	2	3	2	(8)	(7)
India	4.58	(12)	(53)	(96)	(156)	(219)
China	1.14	(4)	(5)	(73)	(109)	(154)
Currencies (Δ %)						
EUR	1.0823	(0.3)	(0.8)	0.9	(2.4)	(3.0)
GBP	1.2334	0.4	(1.5)	6.9	(6.1)	(4.4)
JPY	107.75	0	(0.3)	3.1	1.9	4.0
AUD	0.6323	0.7	0.1	8.3	(7.6)	(9.9)
INR	76.66	0.2	(0.3)	(0.5)	(7.7)	(9.7)
CNY	7.0841	0.1	(0.2)	0.1	(2.6)	(5.4)
Equity & Other indices (Δ %)						
Dow	23,476	2.0	(0.1)	26.3	(19.6)	(11.7)
FTSE	5,771	2.3	3.1	15.6	(23.8)	(22.8)
DAX	10,415	1.6	1.3	19.1	(22.9)	(15.4)
NIKKEI	19,138	(0.7)	(2.1)	13.3	(20.4)	(13.8)
Shanghai Comp	2,844	0.6	1.2	6.9	(7.1)	(11.2)
SENSEX	31,380	2.4	3.3	20.8	(23.7)	(19.7)
Brent (US\$/bbl)	20.37	5.4	(26.4)	(24.6)	(67.8)	(72.7)
Gold (US\$/oz)	1,714	1.7	(0.2)	10.4	10.0	34.4
CRB Index	350.7	0.5	(0.2)	(5.9)	(14.5)	(16.7)
Rogers Agri Index	646.0	1.1	0.2	(2.8)	(15.3)	(11.0)
LIBOR (3M)*	1.04	(5)	(13)	(17)	(76)	(154)
INR 5Y Swap*	5.32	0	(51)	(98)	(143)	(186)
India FII data (US\$ mn)						
	21 Apr	20 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	54.1	201.2	255.3	(734.8)	(10,494.3)	(734.8)
FII-Equity	(238.9)	12.1	(226.7)	(352.6)	(6,955.6)	(352.6)

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

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