

MACRO DAILY

23 June 2020

Macro developments

- Moody's has cut India's growth projection in FY21 and expects GDP to contract by 3.1% against 0.2% estimated earlier. In a separate report, Fitch has also anticipated government to come up with another fiscal stimulus worth 1% of GDP, apart from the Rs 21tn fiscal and monetary measures announced previously. Both Moody's and Fitch earlier downgraded India's sovereign rating and outlook respectively due to crisis from COVID-19.
- US existing home sales fell by 9.7% in May'20 on a MoM basis, versus estimated drop of 3% and 17.8% decline in Apr'20. At the current rate the inventory will take 4.8 months to clear compared with 4.3 months in Apr'20. While building permits and mortgage loan data shows marginal pickup in activity, overall investment in real estate continues to remain subdued and is estimated to drag the overall GDP down in Q2CY20.
- Consumer confidence in both the Euro Area and EU picked up due to gradual reopening of the economy. Moderate revival was noticed in the prints of both Euro Area and EU, as the respective indices rose by 4.1 points and 3.9 points. Earlier, ECB had predicted Euro Area output to contract by 9% in CY20, with revival expected in CY21.

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Markets

- Bonds:** Global yields closed mixed as investors remain cautious over fresh COVID-19 cases. US 10Y yield rose a tad (1bps), while yields of UK and Germany fell the most. Crude prices fell by 0.5% (US\$ 42/bbl). India's 10Y yield rose by 1bps (6.01%) and is trading flat today.
- Currency:** Except JPY and CNY which closed flat, other global currencies closed higher led by phased reopening of economies and borders. GBP rose by 0.7% amidst expectation of more stimulus measures by the government. INR appreciated by 0.2% led by strong FII equity inflows. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring Dow and Sensex, other global indices ended lower as investors monitored the surge in COVID-19 cases. FTSE (0.8%) declined the most followed by Dax (0.5%). However, Sensex (0.5%) ended higher with both midcap and small cap gaining by 2% and 1.4% respectively. It is trading higher today while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.71	1	0	0	(15)	(137)
UK	0.19	(4)	(2)	(2)	(33)	(62)
Japan	0.01	0	0	1	(7)	17
Germany	(0.44)	(2)	0	5	(10)	(13)
India	6.01	1	2	(3)	(26)	(86)
China	2.92	2	13	17	21	(36)
2Y yields (Δ bps)						
US	0.19	0	0	2	(12)	(158)
UK	(0.08)	(2)	(4)	(4)	(19)	(67)
Japan	(0.16)	2	0	(3)	(2)	5
Germany	(0.71)	(2)	(5)	(2)	(1)	5
India	4.33	(2)	(6)	(17)	(119)	(187)
China	1.96	(1)	(6)	75	3	(74)
Currencies (Δ %)						
EUR	1.1257	0.7	(0.6)	2.3	4.6	(1.7)
GBP	1.2454	0.7	(1.2)	1.0	6.4	(2.9)
JPY	106.91	0	0.4	0.8	3.7	0.4
AUD	0.6891	0.8	(0.4)	4.6	18.2	(1.3)
INR	76.03	0.2	0	(0.7)	(1.3)	(9.5)
CNY	7.0684	0.0	0.3	0.4	0.4	(2.9)
Equity & Other indices (Δ %)						
Dow	26,025	0.6	1.0	6.9	34.9	(3.2)
FTSE	6,245	(0.8)	3.0	4.8	21.2	(15.1)
DAX	12,263	(0.5)	3.0	11.3	38.1	(0.1)
NIKKEI	22,437	(0.2)	4.2	10.0	35.8	5.7
Shanghai Comp	2,965	(0.1)	2.6	2.4	8.1	(1.1)
SENSEX	34,911	0.5	5.1	15.0	16.1	(11.4)
Brent (US\$/bbl)	42.0	(0.5)	5.7	23.3	58.4	(34.4)
Gold (US\$/oz)	1,735	0.7	0.3	(0.6)	15.8	24.0
CRB Index	364.3	(0.5)	(1.3)	(1.0)	(2.6)	(11.4)
Rogers Agri Index	671.5	(0.4)	(2.0)	1.2	2.3	(11.4)
LIBOR (3M)*	0.32	1	1	(5)	(88)	(203)
INR 5Y Swap*	5.20	(2)	7	7	(100)	(132)
India FII data (US\$ mn)						
	19 Jun	18 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	62.4	(89.7)	(179.1)	(462.3)	(14,517.6)	(4,758.1)
FII-Equity	162.3	(41.9)	(322.6)	2,607.1	(2,307.5)	4,295.5

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

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