

MACRO DAILY

24 April 2020

Macro developments

- As per news reports, government has decided to amend the insolvency law and suspend sections 7, 9 and 10 for 6 months-1 year. While sections 7 and 9 pertain to initiation of corporate insolvency proceedings by financial creditor, section 10 relates to filing an application for insolvency resolution by corporates. Earlier, government had raised the threshold default amount (from Rs 0.1 to Rs 10mn) for invoking insolvency proceedings.
- Global manufacturing PMIs indicate sharp contraction in activity in Apr'20 in major economies including US (36.9 from 48.5 in Mar'19), UK (32.9 from 47.8) and Eurozone (33.6 from 44.5). Across all countries, new orders and employment index fell sharply. Both input and output prices declined and 12 month business expectation index too nosedived. Services activity index saw more severe decline across regions.
- US initial jobless claims rose by 4.4mn for the week ended 18 Apr 2020 versus 5.2mn last week. Despite easing, claims remain elevated with 4-week moving average at 5.8mn versus 5.5mn last week. Since the shutdown was announced, 26.4mn jobless claims have been filed. Separately, US new home sales fell by 15.4% in Mar'20 on MoM basis to a 6.5 year low versus 4.4% decline in Feb'20.

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Markets

- Bonds:** Except Japan, global yields closed lower due to muted macro prints (Eurozone, UK, Japan & US). US 10Y fell by 2bps (0.6%). Crude prices rose by 4.7% (US\$ 21/bbl) supported by output cut. India's 10Y yield fell by 17bps (6.05%) supported by RBI's announcement of simultaneous OMO purchase/sale of another Rs 100bn. It is trading at 6.09% today.
- Currency:** Apart from EUR, other global currencies closed higher as global risk sentiment improved. EUR depreciated by 0.4% amidst uncertainty over the COVID-19 stimulus package. INR rose sharply by 0.8% amidst gains in local equity markets. It is trading flat today, while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp, global indices ended higher led by recovery in oil prices. Both Nikkei and Sensex gained 1.5% each. Sensex gained led by hopes of another fiscal stimulus. IT and banking stocks advanced the most. It is trading lower 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	0.60	(2)	(3)	(18)	(113)	(193)
UK	0.29	(4)	(1)	(13)	(30)	(86)
Japan	0.01	1	(1)	(6)	3	4
Germany	(0.42)	(2)	5	(5)	(12)	(42)
India	6.05	(17)	(39)	(33)	(55)	(139)
China	2.51	(4)	0	(12)	(50)	(91)
2Y yields (Δ bps)						
US	0.22	1	1	(9)	(129)	(211)
UK	0.06	(3)	(1)	(2)	(36)	(68)
Japan	(0.15)	(1)	0	5	(2)	0
Germany	(0.67)	(1)	1	2	(7)	(8)
India	4.59	1	(44)	(95)	(154)	(218)
China	1.13	(1)	(8)	(74)	(110)	(155)
Currencies (Δ %)						
EUR	1.0777	(0.4)	(0.6)	0.5	(2.5)	(3.2)
GBP	1.2344	0.1	(0.9)	6.9	(5.9)	(4.3)
JPY	107.60	0.1	0.3	3.3	1.7	3.6
AUD	0.6370	0.7	0.7	9.1	(7.0)	(9.2)
INR	76.07	0.8	0.9	0.3	(6.7)	(8.3)
CNY	7.0667	0.2	0.2	0.3	(1.8)	(4.8)
Equity & Other indices (Δ %)						
Dow	23,515	0.2	(0.1)	26.5	(19.4)	(11.1)
FTSE	5,827	1.0	3.5	16.7	(22.4)	(21.6)
DAX	10,514	0.9	2.1	20.3	(21.5)	(14.4)
NIKKEI	19,429	1.5	0.7	15.1	(18.3)	(12.9)
Shanghai Comp	2,839	(0.2)	0.7	6.7	(4.6)	(9.1)
SENSEX	31,863	1.5	4.1	22.6	(23.0)	(17.7)
Brent (US\$/bbl)	21.33	4.7	(23.3)	(21.1)	(65.6)	(71.3)
Gold (US\$/oz)	1,731	1.0	0.7	11.4	10.7	35.5
CRB Index	350.5	(0.1)	(0.2)	(6.0)	(14.3)	(16.9)
Rogers Agri Index	649.3	0.5	0.9	(2.4)	(14.8)	(10.8)
LIBOR (3M)*	1.02	(2)	(12)	(20)	(77)	(156)
INR 5Y Swap*	5.13	(19)	(64)	(117)	(162)	(199)
India FII data (US\$ mn)						
	22 Apr	21 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(9.3)	54.1	246.0	(744.0)	(10,503.5)	(744.0)
FII-Equity	(103.0)	(238.9)	(329.7)	(455.6)	(7,058.6)	(455.6)

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

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