

MACRO DAILY

24 March 2020

Macro developments

- COVID-19 cases continued to increase globally and rose 3.5 times to 368,227 for the week ended 23 Mar 2020. On a daily basis, new cases in US rose the most by 9,572 followed by Germany at 5,395 and Italy at 4,789. In India, the number of cases rose to 503 as of 24 Mar 2020 vs 137 last week.
- On the back of falling oil prices, government may raise the excise duty on petrol and diesel by upto Rs 8/lt (Rs 18/lt for petrol vs Rs 10/lt earlier, Rs 12/lt for diesel vs Rs 4/lt earlier). The funds collected shall be utilised to mitigate the ongoing crisis. Recently, government had announced Rs 3/lt hike on 14 Mar 2020, which is expected to add Rs 390bn annually.
- Amidst the ongoing COVID-19 outbreak and country lockdowns, IMF expects global growth to contract in CY20 (similar to levels seen in CY08-09 crisis: -0.7%) before recovering in CY21. IIF, too expects growth to contract by (-) 1.5% in CY20, with growth in advanced economies declining by (-) 3.3%.

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Markets

- Bonds:** Except India, global yields closed lower as stimulus measures from global central banks continued (Fed & Australia). Fed announced unlimited quantitative easing program and backed purchase of corporate bonds for the first time. Thus, its 10Y yield closed lower by 6bps (0.79%). Crude was at US\$ 27/bbl. India's 10Y yield rose by 12bps (6.38%) as outflow in the debt segment continued. It is trading lower at 6.32% today, as RBI advanced the OMO purchase auction date (26 Mar vs 30 Mar earlier).
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.3% after US Fed announced a slew of measures to provide dollar liquidity. GBP depreciated by (-) 0.7%. INR depreciated sharply by (-) 1.4% to close at a fresh lifetime low (76.28/\$) as local equity markets fell. However, it is trading higher today in line with other Asian currencies.
- Equity:** Barring Nikkei, global indices ended in red as the outbreak of COVID-19 pandemic continued to rattle markets and Fed's emergency measures failed to sooth investor sentiments. Sensex (-13.2%) dropped the most, posting its biggest single day fall. However, 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 | 0.79 | (6) | 7 | (69) | (114) | (161) |
| UK | 0.43 | (14) | (1) | (15) | (35) | (56) |
| Japan | 0.07 | (1) | 5 | 13 | 5 | 15 |
| Germany | (0.38) | (5) | 9 | 6 | (13) | (35) |
| India | 6.38 | 12 | 17 | (4) | (19) | (94) |
| China | 2.63 | (6) | (5) | (23) | (54) | (48) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.31 | 0 | (5) | (104) | (134) | (193) |
| UK | 0.08 | (6) | (19) | (44) | (48) | (56) |
| Japan | (0.19) | (3) | (2) | (3) | (10) | (1) |
| Germany | (0.69) | (1) | 20 | (5) | (7) | (12) |
| India | 5.54 | 0 | 13 | (15) | (30) | (103) |
| China | 1.87 | (4) | (10) | (36) | (55) | (53) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.0726 | 0.4 | (4.1) | (1.1) | (3.3) | (5.2) |
| GBP | 1.1542 | (0.7) | (5.9) | (11.0) | (10.8) | (12.5) |
| JPY | 111.23 | (0.3) | (5.1) | 0.3 | (1.7) | (1.1) |
| AUD | 0.5838 | 0.9 | (4.6) | (11.9) | (15.7) | (17.9) |
| INR | 76.28 | (1.4) | (2.7) | (6.5) | (7.2) | (10.6) |
| CNY | 7.0886 | 0.1 | (1.4) | (0.9) | (1.1) | (5.7) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 18,592 | (3.0) | (7.9) | (35.9) | (34.9) | (27.1) |
| FTSE | 4,994 | (3.8) | (3.1) | (32.6) | (34.5) | (30.4) |
| DAX | 8,741 | (2.1) | 0 | (35.6) | (34.3) | (23.0) |
| NIKKEI | 16,888 | 2.0 | (0.7) | (27.8) | (29.1) | (19.5) |
| Shanghai Comp | 2,660 | (3.1) | (4.6) | (12.5) | (10.2) | (12.6) |
| SENSEX | 25,981 | (13.2) | (17.2) | (36.9) | (37.6) | (31.3) |
| Brent (US\$/bbl) | 27.03 | 0.2 | (10.0) | (53.8) | (59.3) | (59.8) |
| Gold (US\$/oz) | 1,553 | 3.6 | 2.6 | (5.5) | 4.5 | 17.5 |
| CRB Index | 372.7 | (0.4) | (2.1) | (7.4) | (6.5) | (12.4) |
| Rogers Agri Index | 664.9 | 1.3 | 2.0 | (10.3) | (11.0) | (13.0) |
| LIBOR (3M)* | 1.20 | 1 | 36 | (48) | (74) | (140) |
| INR 5Y Swap* | 6.30 | 10 | 64 | (9) | (33) | (32) |
| India FII data (US\$ mn) | | | | | | |
| | 20 Mar | 19 Mar | WTD | MTD | CYTD | FYTD |
| FII-Debt | (459.0) | (773.3) | (4,319.2) | (6,796.2) | (8,363.3) | (5,419.2) |
| FII-Equity | (460.4) | (610.4) | (2,878.5) | (6,698.1) | (4,911.2) | 2,478.0 |

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

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