

MACRO DAILY

25 June 2020

Macro developments

- As per news reports, led by steep hike in excise duty on petrol and diesel and pick-up in demand, centre's excise collections have risen to ~Rs 400bn in FYTD21 (Apr-May). The jump was 2.8x in May'20 as collection rose to Rs 294bn from Rs 106bn in Apr'20. This was following Rs 10/ltr hike in excise duty of petrol and Rs 13/ltr hike in diesel on 5 May 2020. Collections so far account for 15% of FY21 BE of Rs 2.67tn.
- IMF estimates global GDP growth to contract by 4.9% in CY20, a sharp reduction from a decline of 3% estimated in Apr'20. The slowdown is led by significant contraction in US (8%) and Euro Zone (10.2%). Growth recovery in CY21 is also expected to be weaker at 5.4% versus 5.8% projected earlier. India's GDP is estimated to shrink by 4.5% in FY21 (1.9% in Apr'20) before recovering to 6% in FY22.
- Germany's business climate showed signs of improvement with IFO index rising to 86.2 in Jun'20 as against 79.7 in May'20. This 6.5 points monthly increase is the highest in the entire series. Both the current situation and expectation index picked up. Business climate both in the manufacturing and service sector also showed considerable improvement.

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Markets

- Bonds:** Global yields closed mixed as IMF slashed its global growth projections for CY20. US 10Y yield fell by 3bps (0.68%) amidst rising COVID-19 cases. Crude prices fell by 5.4% (US\$ 40/bbl) driven by demand concerns. India's 10Y yield rose by 1bps (6.04%). It is trading at 6.03% today.
- Currency:** Global currencies closed lower amidst a surge in COVID-19 cases in the US. DXY rose by 0.5% on safe-haven demand. GBP and EUR fell on reports that US is considering tariffs on imports from several EU countries and UK. INR too ended lower by 0.1%. It is trading further lower today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices ended lower led by resurgence in COVID-19 cases and IMF slashing global economic forecasts further. Dax declined the most followed by FTSE and Dow. Sensex (1.6%) too ended in red dragged down by banking and power stocks. 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	0.68	(3)	(6)	2	(19)	(137)
UK	0.19	(2)	0	2	(26)	(64)
Japan	0.02	0	(1)	2	(4)	15
Germany	(0.44)	(3)	(5)	5	(18)	(14)
India	6.04	1	3	29	(18)	(89)
China	2.87	(4)	(1)	29	24	(38)
2Y yields (Δ bps)						
US	0.19	0	(1)	2	(14)	(158)
UK	(0.07)	(1)	(2)	(2)	(18)	(69)
Japan	(0.13)	(1)	1	3	10	8
Germany	(0.67)	(1)	(2)	1	(8)	6
India	4.35	1	(6)	(8)	(118)	(194)
China	2.18	(5)	18	83	40	(45)
Currencies (Δ %)						
EUR	1.1251	(0.5)	0.1	3.2	3.4	(1.0)
GBP	1.2419	(0.8)	(1.1)	2.0	4.6	(2.1)
JPY	107.04	(0.5)	0	0.6	3.7	0.7
AUD	0.6869	(0.9)	(0.2)	5.1	15.3	(1.7)
INR	75.72	(0.1)	0.6	0.3	(0.8)	(9.5)
CNY	7.0782	(0.3)	0.1	0.8	0.5	(2.9)
Equity & Other indices (Δ %)						
Dow	25,446	(2.7)	(2.6)	4.0	20.0	(4.1)
FTSE	6,124	(3.1)	(2.1)	2.2	7.7	(17.4)
DAX	12,094	(3.4)	(2.3)	9.2	22.5	(1.2)
NIKKEI	22,534	(0.1)	0.3	10.5	15.3	6.9
Shanghai Comp	2,980	0.3	1.5	5.9	7.1	0.1
SENSEX	34,869	(1.6)	4.1	13.7	22.2	(11.9)
Brent (US\$/bbl)	40.31	(5.4)	(1.0)	14.7	47.2	(39.4)
Gold (US\$/oz)	1,761	(0.4)	2.0	1.5	8.9	25.0
CRB Index	361.1	(0.4)	(0.7)	(1.2)	(3.6)	(11.9)
Rogers Agri Index	667.2	(0.8)	(0.9)	0.9	(1.4)	(12.1)
LIBOR (3M)*	0.30	0	(2)	(7)	(97)	(203)
INR 5Y Swap*	5.28	2	11	15	(95)	(136)
India FII data (US\$ mn)						
	23 Jun	22 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	60.1	24.1	84.1	(378.1)	(14,433.4)	(4,673.9)
FII-Equity	17.1	56.6	73.7	2,795.8	(2,118.8)	4,484.2

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

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