

MACRO DAILY

26 February 2020

Macro developments

- According to NSO report, ESIC added 1.3mn persons as new subscribers in Dec'19 vs 1.5mn persons in Nov'19. Additions to EPFO remained steady at 1mn persons. In Q3FY20, EPFO's new subscriber base jumped by 81% from 1.4mn in Q3FY19 to 2.5mn. Since Sep'17, total additions to EPFO stand at 14.9mn vs 35mn additions in ESIC.
- US consumer confidence data print was less than expected at 130.7 in Feb'20 (est.: 132.3) vs 130.4 in Jan'20. The present situation index fell to 165.1 in Feb'20 vs 173.9 in Jan'20. However, expectations index rose moderately to 107.8 vs 101.4 in Jan'20 over improved short-term outlook for income, business and labour market conditions.
- Germany's statistics office confirmed that GDP growth stagnated in Q4CY19 (QoQ) vs 0.2% in Q3. This was due to a slowdown in exports (-0.2% vs 1% in Q3). PFCE growth also stagnated after increasing by 0.5% in Q3. In CY19, GDP grew by 0.6%-the weakest pace since CY13. However, the government expects growth to recover to 1.1% in CY20.

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Markets

- Bonds:** Global yields broadly closed lower as demand for sovereign bonds picked up on escalating fears of spread of COVID-19. Apart from this, muted global macro prints also impacted yields. US 10Y yield fell by 2bps to hit an all-time low of 1.35%. Oil prices also declined by (-) 2.4% (US\$ 55/bbl). India's 10Y yield fell by 4bps (6.33%), taking global cues. It is trading at 6.34% today.
- Currency:** Except AUD (flat), other global currencies closed higher against the dollar. DXY fell by (-) 0.4% on rising expectations that the Fed would cut rates amidst heightened concerns over the virus outbreak in China. INR rose by 0.2% as oil prices eased. It is trading further higher today while other Asian currencies are trading mixed.
- Equity:** Global indices closed lower with Nikkei (-3.3%) and Dow (-3.1%) falling the most. Re-emergence of fears surrounding COVID-19 and weak pace of Germany's export growth weighed on investor sentiments. Sensex fell by (-) 0.2%, dragged by oil & gas and consumer durable stocks. It is trading further lower today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.35	(2)	(21)	(38)	(39)	(128)
UK	0.52	(2)	(9)	(7)	(13)	(69)
Japan	(0.10)	(5)	(4)	(9)	(2)	(8)
Germany	(0.51)	(3)	(11)	(20)	(14)	(63)
India	6.33	(4)	(6)	(27)	(15)	(109)
China	2.82	1	(6)	(18)	(36)	(37)
2Y yields (Δ bps)						
US	1.22	(2)	(19)	(29)	(36)	(126)
UK	0.39	(2)	(14)	(4)	(10)	(40)
Japan	(0.19)	(3)	(4)	(7)	(1)	(3)
Germany	(0.69)	(1)	(4)	(9)	(5)	(15)
India	5.64	(1)	(6)	(49)	23	(104)
China	2.23	(7)	(5)	(42)	(36)	(19)
Currencies (Δ %)						
EUR	1.0882	0.3	0.8	(1.6)	(1.3)	(4.5)
GBP	1.3005	0.6	0.1	(0.9)	1.1	(1.9)
JPY	110.20	0.5	(0.3)	(0.6)	(1.1)	0.4
AUD	0.6604	0	(1.2)	(3.5)	(2.7)	(8.1)
INR	71.89	0.2	(0.5)	(0.9)	(0.6)	(1.2)
CNY	7.0135	0.2	(0.2)	(1.0)	0.3	(4.7)
Equity & Other indices (Δ %)						
Dow	27,081	(3.1)	(7.4)	(7.1)	(3.7)	3.9
FTSE	7,018	(1.9)	(4.9)	(6.5)	(5.2)	(1.9)
DAX	12,790	(1.9)	(6.5)	(4.5)	(3.4)	10.8
NIKKEI	22,605	(3.3)	(2.5)	(5.0)	(3.3)	5.4
Shanghai Comp	3,013	(0.6)	0.9	1.2	3.6	2.4
SENSEX	40,281	(0.2)	(1.5)	(2.7)	(1.3)	12.0
Brent (US\$/bbl)	54.95	(2.4)	(4.8)	(11.4)	(14.5)	(15.7)
Gold (US\$/oz)	1,635	(1.5)	2.1	4.6	11.9	23.0
CRB Index	399.5	0.1	(0.9)	(2.3)	3.2	(3.3)
Rogers Agri Index	723.5	(0.3)	(2.7)	(5.0)	(0.4)	(4.1)
LIBOR (3M)*	1.65	(3)	(5)	(15)	(26)	(98)
INR 5Y Swap*	6.32	(2)	(8)	(44)	(8)	(74)
India FII data (US\$ mn)						
	24 Feb	20 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(443.6)	(156.1)	(443.6)	903.9	(665.0)	2,279.2
FII-Equity	(241.6)	117.5	(241.6)	1,997.5	3,370.2	10,759.4

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

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