

MACRO DAILY

26 March 2020

Macro developments

- COVID-19 cases continued to increase globally and have risen to 462,346 as of 26 Mar 2020 (2.8 times increase vs last week). On a daily basis, new cases in US rose the most by 12,304, followed by Italy at 5,210 and Germany at 3,897. In India, the number of cases rose to 606 as of 26 Mar 2020 vs 169 last week.
- As per news reports, government may announce Rs 1.5tn economic stimulus package to combat crisis from COVID-19. Expansion in the food security scheme is also looked upon. Further, advisory has also been issued to states for advance payment of 2-months pension, allowing extra withdrawal of ration and undertaking health measures. The expansion in budget is likely to be funded through higher borrowing in FY21/IEBR.
- Global manufacturing activity slumped sharply in Mar'20 with US (49.2), UK (48), Eurozone (44.8) and Japan (44.8) PMIs well below 50. This is led by steep fall in new business orders and longer supplier delivery times. Services sector too has been hit by COVID-19 outbreak and lockdowns. Future business expectations (12 months) remains negative.

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Markets

- Bonds:** Global yields closed mixed as investors await a US\$ 2tn stimulus from US to combat the crisis from COVID-19. ECB is also in discussion with other Eurozone finance ministers for issuing corona bonds to fund the crisis. Germany 10Y yield rose the highest (+6bps) followed by US (+2bps). Oil prices were muted at US\$ 27/bbl. India's 10Y yield fell by 8bps (6.3%) amidst debt outflow. It is trading lower at 6.29% today.
- Currency:** Global currencies closed higher. DXY fell by (-) 1% ahead of US weekly jobless claims data. Investors also await the details of US\$ 2tn stimulus package. GBP and EUR rose by 1% and 0.9% respectively. INR is trading higher today in line with other Asian currencies.
- Equity:** Global indices closed higher ahead of the passing of US\$ 2tn stimulus by the US Senate to combat the impact of COVID-19. Nikkei (8%) surged the most clocking its biggest gain since financial crisis. Sensex (7%) too posted its biggest gain in over 10 years on expectations of possible stimulus announcement. It is trading higher today; while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.87	2	(32)	(50)	(103)	(150)
UK	0.45	(3)	(35)	(10)	(32)	(57)
Japan	0.05	1	(3)	11	7	12
Germany	(0.26)	6	(3)	22	(2)	(18)
India	6.30	(8)	1	(6)	(28)	(103)
China	2.63	(1)	(9)	(19)	(52)	(46)
2Y yields (Δ bps)						
US	0.33	(4)	(20)	(92)	(129)	(187)
UK	0.11	(2)	(23)	(30)	(45)	(56)
Japan	(0.23)	(2)	(9)	(7)	(12)	(7)
Germany	(0.60)	3	17	8	2	1
India	5.64	10	11	(1)	(16)	(94)
China	1.78	(4)	(18)	(45)	(55)	(61)
Currencies (Δ %)						
EUR	1.0882	0.9	(0.3)	0.3	(1.9)	(3.2)
GBP	1.1878	1.0	2.3	(8.1)	(8.4)	(9.9)
JPY	111.21	0	(2.9)	(0.4)	(1.7)	(0.6)
AUD	0.5959	0	3.2	(9.8)	(13.9)	(15.9)
INR	76.08	0.3	(2.4)	(5.7)	(6.7)	(10.5)
CNY	7.1148	(0.7)	(1.0)	(1.2)	(1.8)	(5.8)
Equity & Other indices (Δ %)						
Dow	21,201	2.4	6.5	(24.2)	(25.9)	(17.3)
FTSE	5,688	4.4	12.0	(20.5)	(25.6)	(20.9)
DAX	9,874	1.8	17.0	(24.2)	(26.0)	(13.5)
NIKKEI	19,547	8.0	16.9	(12.8)	(18.3)	(8.6)
Shanghai Comp	2,782	2.2	1.9	(8.2)	(7.5)	(8.0)
SENSEX	28,536	7.0	(1.2)	(29.3)	(30.7)	(25.2)
Brent (US\$/bbl)	27.39	0.9	10.1	(51.3)	(59.7)	(59.6)
Gold (US\$/oz)	1,617	(0.9)	8.8	(2.6)	7.0	23.5
CRB Index	374.5	0.2	(0.7)	(6.2)	(6.3)	(12.2)
Rogers Agri Index	676.4	0.7	4.8	(6.8)	(9.9)	(10.6)
LIBOR (3M)*	1.23	2	18	(41)	(71)	(137)
INR 5Y Swap*	6.23	(1)	32	(11)	(48)	(36)
India FII data (US\$ mn)						
	23 Mar	20 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(206.8)	(459.0)	(206.8)	(7,003.0)	(8,570.0)	(5,625.9)
FII-Equity	(347.9)	(460.4)	(347.9)	(7,046.0)	(5,259.1)	2,130.1

Source: Bloomberg, Bank of Baroda | *Indicates change in bps Note-Bond and currency market in India were closed on 25 Mar 2020

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