

MACRO DAILY

27 April 2020

Macro developments

- COVID-19 cases increased globally to 3mn as of 26 Apr 2020, yet the pace of increase is declining. On a daily basis, new cases in US rose the most by 26,730, followed by Spain at 2,870 and Italy at 2,324. Globally, US has the maximum number of cases at 965,783. In India, the number of cases rose to 27,928 as of 27 Apr 2020 vs 18,601 last week.
- In response to Indian states' demand for expanding their FY21 fiscal deficit (% of GDP) to 5% versus 3% recommended in the FRBM act, the Finance Commission has advised states to expand only upto 3.5%. Overarching expansion could dent the incentives availed by states, recommended by the commission. Concerns were also raised about higher market borrowings by the states, leading to upwards pressure on rates.
- Industrial profits in China fell by 36.7% in Q1CY20 versus 38.3% decline in Jan-Feb'20. This was led by 45.5% drop in profits of SOEs versus 29.5% decline seen by private firms. Industry wise, oil & gas was hit the most (188%), followed by automobiles, electronics, chemicals and electric machinery, with declines ranging between 47-80%.

Dipanwita Mazumdar | Sameer Narang
 chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed as stimulus from BoJ is expected to tide over the crisis. US 10Y yield closed flat at 0.6% as durable goods orders plunged to its lowest since CY14. Germany 10Y yield fell by 5bps (-0.47%) as its business sentiment index dipped to its historic low. Crude prices rose by 0.5% (US\$ 21/bbl). India's 10Y yield rose by 12bps (6.17%) amidst anticipation of fiscal stimulus. It is trading flat today.
- Currency:** Global currencies closed mixed. DXY edged lower by 0.1% after rising for 4-straight sessions. EUR rose by 0.4% after EU leaders agreed to set up an emergency fund to deal with the COVID-19 crisis. INR depreciated by 0.5% led by losses in domestic equities. It is trading higher today in line with other Asian currencies.
- Equity:** Barring Dow, other global indices ended lower as hopes of a possible treatment for COVID-19 faded. Both Sensex and Dax declined by 1.7% each. The fall in domestic equity market was on account of closing off some mutual funds due to liquidity crunch. Real estate stocks were the worst hit. 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	0.60	0	(4)	(25)	(108)	(190)
UK	0.29	0	(1)	(19)	(27)	(85)
Japan	(0.02)	(2)	(4)	(6)	0	2
Germany	(0.47)	(5)	0	(15)	(14)	(45)
India	6.17	12	(18)	(14)	(42)	(124)
China	2.49	(2)	(6)	(15)	(51)	(92)
2Y yields (Δ bps)						
US	0.22	1	2	(15)	(127)	(206)
UK	0.07	0	(2)	(6)	(36)	(66)
Japan	(0.15)	0	(3)	6	(2)	0
Germany	(0.71)	(4)	(3)	(8)	(9)	(11)
India	4.55	(4)	(27)	(109)	(155)	(224)
China	1.13	0	(9)	(69)	(110)	(154)
Currencies (Δ %)						
EUR	1.0823	0.4	(0.5)	0.3	(1.8)	(2.9)
GBP	1.2367	0.2	(1.1)	5.1	(5.4)	(4.3)
JPY	107.51	0.1	0	3.3	1.6	3.6
AUD	0.6371	0	0.1	6.9	(6.7)	(9.5)
INR	76.45	(0.5)	(0.1)	(0.5)	(7.2)	(9.2)
CNY	7.0819	(0.2)	(0.1)	(0.3)	(2.0)	(5.2)
Equity & Other indices (Δ %)						
Dow	23,775	1.1	(1.9)	14.8	(18.0)	(10.4)
FTSE	5,752	(1.3)	(0.6)	5.6	(24.2)	(22.6)
DAX	10,336	(1.7)	(2.7)	6.6	(23.9)	(16.1)
NIKKEI	19,262	(0.9)	(3.2)	6.5	(19.2)	(13.5)
Shanghai Comp	2,809	(1.1)	(1.1)	3.2	(5.6)	(9.0)
SENSEX	31,327	(1.7)	(0.8)	17.4	(24.7)	(19.8)
Brent (US\$/bbl)	21.44	0.5	(23.6)	(21.0)	(64.7)	(70.3)
Gold (US\$/oz)	1,730	(0.1)	2.8	6.0	10.1	34.5
CRB Index	348.3	(0.6)	(0.7)	(6.8)	(14.7)	(17.6)
Rogers Agri Index	641.9	(1.1)	(0.6)	(4.4)	(14.7)	(11.9)
LIBOR (3M)*	0.99	(3)	(14)	(24)	(80)	(159)
INR 5Y Swap*	5.20	7	(37)	(105)	(149)	(192)
India FII data (US\$ mn)						
	23 Apr	22 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	115.9	(9.3)	361.9	(628.1)	(10,387.6)	(628.1)
FII-Equity	63.4	(103.0)	(266.3)	(392.2)	(6,995.1)	(392.2)

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com