

MACRO DAILY

27 March 2020

Macro developments

- COVID-19 cases increased globally to 514,999 as of 26 Mar 2020 (3.4 times increase vs last week). On a daily basis, new cases in US rose the most by 16,247, followed by Italy at 6,153. With this, US has now surpassed China with most cases at 82,025 (81,340 in China). In India, the number of cases rose to 724 as of 27 Mar 2020 vs 223 last week.
- India has announced fiscal stimulus of Rs 1.7tn (0.8% of GDP). This includes providing cereals and pulses through PDS for next 3-months to marginal households, cash transfers to farmers, pensioners, women and construction workers. Other measures are increase in wages under MNREGA and free LPG cylinders (Ujwala scheme), higher limit for collateral free loans for women SHGs. For organised sector workers, government will pay EPF contribution for 3-months.
- China's industrial profits plunged sharply in Jan-Feb'20 by (-) 38.3% vs (-) 6.3% in Dec'19. The impact of COVID-19 led shutdown was most visible on private firms where profits fell by (-) 36.6% vs (-) 32.9% for SoEs. Manufacturing companies recorded a decline of (-) 42.7% in profits vs (-) 21.1% reported by mining companies.

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Markets

- Bonds:** Global yields closed lower amidst concerns over economic impact of COVID-19. G-20 leaders pledged to inject US\$ 5tn to combat the crisis. US 10Y yield fell by 2bps to 0.84%. Crude prices fell by (-) 3.8% to US\$ 26/bbl on weaker demand outlook. India's 10Y yield fell by 8bps (6.22%) following global cues. It is trading lower at 6.11% today ahead of RBI's press meet scheduled today.
- Currency:** Global currencies closed higher as dollar rally halted. DXY fell by (-) 1.7% as US weekly jobless claims rose to a historic high at 3.3mn, raising hopes for further stimulus. INR rose by 1.2% tracking gains in local equities. It is trading higher today in line with other Asian currencies.
- Equity:** Barring Nikkei and Shanghai Comp, other global indices closed higher on hopes of additional stimulus. Dow (6.4%) surged the most clocking its biggest 3-day gain since 1931. Sensex rose by 4.9% after announcement of economic stimulus. Capital goods stocks advanced the most. 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	0.84	(2)	(30)	(53)	(105)	(155)
UK	0.40	(5)	(33)	(14)	(37)	(60)
Japan	0.00	(5)	(8)	6	1	9
Germany	(0.36)	(10)	(17)	12	(12)	(29)
India	6.22	(8)	(19)	(15)	(36)	(110)
China	2.59	(4)	(14)	(22)	(53)	(49)
2Y yields (Δ bps)						
US	0.29	(4)	(16)	(95)	(134)	(194)
UK	0.13	2	0	(27)	(43)	(52)
Japan	(0.23)	1	(6)	(6)	(11)	(5)
Germany	(0.64)	(5)	3	3	(2)	(5)
India	5.53	(11)	(11)	(12)	(26)	(105)
China	1.74	(5)	(19)	(22)	(60)	(64)
Currencies (Δ %)						
EUR	1.1032	1.4	3.2	1.6	(0.6)	(1.7)
GBP	1.2203	2.7	6.3	(5.6)	(6.1)	(6.4)
JPY	109.58	1.5	1.0	1.0	0.0	0.9
AUD	0.6063	1.7	5.6	(8.2)	(12.7)	(14.3)
INR	75.16	1.2	(0.2)	(4.4)	(5.4)	(8.4)
CNY	7.0747	0.6	0.5	(0.6)	(1.1)	(5.0)
Equity & Other indices (Δ %)						
Dow	22,552	6.4	12.3	(19.3)	(21.2)	(12.3)
FTSE	5,816	2.2	12.9	(18.7)	(23.9)	(19.6)
DAX	10,001	1.3	16.1	(23.3)	(25.0)	(12.5)
NIKKEI	18,665	(4.5)	12.8	(17.4)	(22.0)	(11.3)
Shanghai Comp	2,765	(0.6)	2.3	(8.8)	(8.1)	(7.7)
SENSEX	29,947	4.9	5.9	(25.8)	(27.2)	(22.3)
Brent (US\$/bbl)	26.34	(3.8)	(7.5)	(53.2)	(61.2)	(61.2)
Gold (US\$/oz)	1,631	0.9	10.9	(1.7)	7.9	26.4
CRB Index	374.7	0.1	0.3	(6.1)	(6.2)	(11.9)
Rogers Agri Index	671.9	(0.7)	2.8	(7.4)	(10.5)	(10.6)
LIBOR (3M)*	1.27	3	15	(38)	(68)	(132)
INR 5Y Swap*	6.23	0	(9)	(11)	(48)	(24)
India FII data (US\$ mn)						
	24 Mar	23 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(122.8)	(206.8)	(329.6)	(7,125.8)	(8,692.9)	(5,748.7)
FII-Equity	(497.5)	(347.9)	(845.4)	(7,543.5)	(5,756.6)	1,632.6

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

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