

MACRO DAILY

27 May 2020

Macro developments

- CBIC has announced that between 8 Apr-24 May 2020, Rs 110.5bn worth GST refunds have been processed. On 8 Apr 2020, the FM had announced that in order to boost liquidity for MSMEs, ~Rs 180bn refunds benefiting 0.1mn MSMEs will be processed at the earliest. Apart from this, news reports suggest that GST council is also mulling at rationalization of taxes under GST in its upcoming meeting next month.
- US new home sales rose by 1% in Apr'20 on MoM basis against expectation of 22% decline. This was due to falling median prices by 8.5% in Apr'20 and slight revival in demand. In a separate print, US consumer confidence in May'20 also rose by 0.9 points to 86.6. The near-term outlook for income and labour market conditions also improved as economists expect a revival from Q3CY20.
- Germany's GfK consumer confidence index is expected to improve marginally from a decline of 23.1 points in May'20 to a decline of 18.6 points in Jun'20. The likelihood of this improvement is on the back of gradual reopening of businesses and higher propensity to buy (5.5 in May'20 from decline of 4.6 points in Apr'20).

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Markets

- **Bonds:** Global yields closed higher amidst hopes of discovery of COVID-19 vaccine. US 10Y yield rose by 4bps (0.7%) as macro prints improved slightly. Crude prices rose by 1.8% (US\$ 36/bbl) amidst easing lockdown restrictions. India's 10Y yield rose by 1bps (5.97%) following global cues. It is trading flat today.
- **Currency:** Except CNY (flat), other global currencies closed higher against the dollar. DXY fell by 1% as risk appetite improved on the back of hopes of COVID-19 vaccine and reopening of economies worldwide. AUD rose the most by 1.7%. INR too appreciated by 0.4%. It is however trading lower today in line with other Asian currencies.
- **Equity:** Barring Sensex, other global indices closed higher led by optimism over COVID-19 vaccine. Nikkei (2.6%) surged the most followed by Dow (2.2%) and FTSE (1.2%). Sensex (0.2%) on the other hand ended in red over uncertainties on possible extension of lockdown in some cities. It is trading lower today while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 0.70 | 4 | 1 | 10 | (66) | (157) |
| UK | 0.22 | 4 | (3) | (8) | (30) | (70) |
| Japan | 0.01 | 1 | 0 | 2 | 11 | 8 |
| Germany | (0.43) | 7 | 4 | 4 | 8 | (27) |
| India | 5.97 | 1 | (7) | (20) | (36) | (118) |
| China | 2.70 | 4 | (4) | 21 | (12) | (62) |
| 2Y yields (Δ bps) | | | | | | |
| US | 0.17 | 0 | 1 | (5) | (105) | (195) |
| UK | (0.02) | 3 | 1 | (8) | (40) | (62) |
| Japan | (0.15) | 0 | 1 | 0 | 5 | 1 |
| Germany | (0.64) | 4 | 3 | 6 | 5 | 0 |
| India | 4.43 | 0 | (9) | (12) | (121) | (212) |
| China | 1.52 | 11 | 28 | 39 | (44) | (107) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.0982 | 0.8 | 0.5 | 1.5 | 0.9 | (1.6) |
| GBP | 1.2334 | 1.2 | 0.7 | (0.3) | (5.2) | (2.5) |
| JPY | 107.54 | 0.2 | 0.2 | 0 | 2.4 | 1.7 |
| AUD | 0.6653 | 1.7 | 1.8 | 4.4 | 0.7 | (3.9) |
| INR | 75.66 | 0.4 | 0 | 1.0 | (5.2) | (8.6) |
| CNY | 7.1350 | 0 | (0.5) | (0.7) | (1.7) | (3.3) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 24,995 | 2.2 | 3.3 | 5.1 | (7.7) | (1.4) |
| FTSE | 6,068 | 1.2 | 1.1 | 5.5 | (13.5) | (16.5) |
| DAX | 11,505 | 1.0 | 3.9 | 11.3 | (10.1) | (4.3) |
| NIKKEI | 21,271 | 2.6 | 4.1 | 10.4 | (5.9) | 0.1 |
| Shanghai Comp | 2,847 | 1.0 | (1.8) | 1.4 | (5.5) | (2.2) |
| SENSEX | 30,609 | (0.2) | 1.4 | (2.3) | (24.0) | (23.0) |
| Brent (US\$/bbl) | 36.17 | 1.8 | 4.4 | 68.7 | (34.2) | (48.4) |
| Gold (US\$/oz) | 1,711 | (1.2) | (2.0) | (1.1) | 4.6 | 33.7 |
| CRB Index | 367.0 | 0.4 | (0.3) | 5.4 | (8.1) | (12.1) |
| Rogers Agri Index | 667.7 | 1.0 | 0.6 | 4.0 | (7.7) | (10.5) |
| LIBOR (3M)* | 0.37 | 1 | 0 | (52) | (127) | (215) |
| INR 5Y Swap* | 5.13 | 0 | 0 | (7) | (119) | (165) |
| India FII data (US\$ mn) | | | | | | |
| | 22 May | 21 May | WTD | MTD | CYTD | FYTD |
| FII-Debt | (40.7) | 21.4 | (306.7) | (2,369.5) | (13,713.2) | (3,953.7) |
| FII-Equity | (27.2) | (27.2) | (909.6) | 686.2 | (5,947.3) | 655.7 |

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

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