

## MACRO DAILY

28 February 2020

### Macro developments

- As per news reports, EPFO is considering a 15bps cut in deposit rate to 8.5% for FY20 vs 8.65% in FY19. This is against the backdrop of 50-80bps lower returns on long-term FDs, bonds and government securities. EPFO's investments are estimated at more than Rs 18tn, of which Rs 45bn are in DHFL and IL&FS. However, government may oppose the move as reduction in rates will hurt consumer sentiment.
- Industrial production in Japan rose by 0.8% in Jan'20 on a MoM basis vs est.: 0.2% and 1.2% in Dec'19. The better than estimated print was driven by higher production of motor vehicles, transport equipment and other manufacturing items. Compared with Dec'19, marginal easing was led by machinery and I&C electronic equipment.
- US GDP rose by 2.1% in Q4CY19 on an annualised basis, in line with estimates. However, consumption spending was muted at 1.7% vs 3.2% in Q3. Separately, US durable goods orders fell by (-) 0.2% in Jan'20 vs 2.4% in Dec'19. However, core capital goods orders rose by 1.1% vs (-) 0.8%. US jobless claims rose to 219,000 for the week ended 22 Feb 2020 vs 211,000 in the previous week.

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### Markets

- Bonds:** Barring India, global yields closed lower on concerns over COVID-19. US 10Y yield fell the most by 8bps to hit a new low of 1.26% as CME Fed watch tool suggested 99.3% probability of a 25bps rate cut in Mar'20. Oil prices fell by (-) 2.3% (US\$ 52/bbl)-lowest since Dec'18. India's 10Y yield rose by 3bps (6.38%) due to selling by foreign banks & MFs. It is trading lower at 6.36% today.
- Currency:** Except GBP (-0.1%), other global currencies closed higher against the dollar. DXY fell by (-) 0.5% as investors expect the Fed to cut rates. EUR (+1.1%) gained the most. INR too appreciated by 0.1%. However in line with other Asian currencies, it is trading lower today.
- Equity:** Apart from Shanghai Comp, global indices closed lower as the COVID-19 outbreak spread beyond China. Dow (-4.4%) and FTSE (-3.5%) declined the most. Sensex too ended lower (-0.1%), dragged down by real estate and oil & gas stocks. Sensex along with other Asian stocks is trading lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.26	(8)	(25)	(35)	(50)	(145)
UK	0.47	(3)	(11)	(4)	(21)	(83)
Japan	(0.11)	(2)	(7)	(6)	(2)	(8)
Germany	(0.54)	(4)	(10)	(16)	(18)	(73)
India	6.38	3	(5)	(18)	(8)	(103)
China	2.78	(2)	(10)	(22)	(40)	(40)
<b>2Y yields (Δ bps)</b>						
US	1.06	(10)	(33)	(38)	(56)	(145)
UK	0.33	(3)	(19)	(8)	(19)	(50)
Japan	(0.20)	(1)	(5)	(7)	(2)	(5)
Germany	(0.73)	(4)	(9)	(11)	(10)	(21)
India	5.62	2	(7)	(46)	26	(109)
China	1.97	0	(33)	(32)	(67)	(45)
<b>Currencies (Δ %)</b>						
EUR	1.1001	1.1	2.0	(0.2)	(0.1)	(3.3)
GBP	1.2887	(0.1)	0	(1.3)	(0.2)	(2.8)
JPY	109.59	0.8	2.2	(0.6)	(0.1)	1.6
AUD	0.6569	0.4	(0.7)	(2.8)	(3.0)	(7.4)
INR	71.57	0.1	0.1	(0.2)	0.1	(1.2)
CNY	7.0044	0.3	0.3	(0.9)	0.4	(4.6)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	25,767	(4.4)	(11.8)	(9.7)	(8.1)	(0.6)
FTSE	6,796	(3.5)	(8.6)	(8.3)	(8.4)	(3.9)
DAX	12,367	(3.2)	(9.5)	(6.3)	(6.6)	7.4
NIKKEI	21,948	(2.1)	(6.5)	(6.0)	(6.2)	2.6
Shanghai Comp	2,991	0.1	(1.3)	0.5	3.5	1.7
SENSEX	39,746	(0.4)	(3.5)	(3.4)	(3.4)	10.8
Brent (US\$/bbl)	52.18	(2.3)	(12.0)	(12.0)	(18.3)	(21.0)
Gold (US\$/oz)	1,645	0.2	1.6	4.0	13.0	25.3
CRB Index	397.7	(0.4)	(1.1)	(2.0)	2.9	(3.7)
Rogers Agri Index	709.6	(1.5)	(4.3)	(4.8)	(2.6)	(5.5)
LIBOR (3M)*	1.61	(2)	(7)	(16)	(29)	(100)
INR 5Y Swap*	6.23	1	(20)	(40)	(15)	(90)
<b>India FII data (US\$ mn)</b>						
	<b>26 Feb</b>	<b>25 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(309.1)	(8.4)	(761.0)	586.5	(982.4)	2,279.2
FII-Equity	(436.7)	(255.8)	(934.1)	1,305.1	2,677.7	10,503.6

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

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