

MACRO DAILY

31 March 2020

Macro developments

- COVID-19 cases increased globally to 7,84,395 as of 30 Mar 2020 (2.2 times increase vs last week). On a daily basis, new cases in US rose the most by 22,921, followed by Germany at 4,450 and France at 4,376. Globally, US has the maximum number of cases at 1,63,807. In India, the number of cases rose to 1,347 as of 31 Mar 2020 vs 536 last week.
- As per news reports, government is likely to witness shortfall in direct tax collection for FY20 by Rs 1.5tn. Till 18 Mar 2020, direct tax collection has been at Rs 9.57tn against the RE of Rs 11.7tn. Direct tax collection were already muted on account of corporate tax cut. The current slowdown emanating from COVID-19 is further expected to hit revenue collection of the government both in FY20 and FY21.
- China's manufacturing PMI rebounded sharply in Mar'20 to 52 from 35.7 in Feb'20 and est.: 45. The revival was possible after the COVID-19 related shutdown restrictions were removed. This led to increase in new orders, production and employment index. However production is yet to recover to normal levels. As a result, PBOC has also reduced the 7D-reverse repo rate by 20bps (steepest cut in 5 years) to 2.2% from 2.4%.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield closed at 0.73% amidst extension of lockdown. Germany 10Y yield fell by 2bps (-0.49%) as Eurozone economic sentiment index fell sharply. Crude prices fell by (-) 8.7% to US\$ 23/bbl on account of muted demand. India's 10Y yield rose by 7bps (6.21%) on anticipation of higher borrowing in H1FY21. It is trading lower at 6.11% today.
- Currency:** Barring JPY and AUD other global currencies closed lower. DXY rose by 0.8% on concerns over the coronavirus outbreak even as countries announced fiscal and monetary stimulus to combat the crisis. INR depreciated by (-) 0.7% on the back of FII outflows. It is trading further lower today while Asian currencies are mostly trading higher.
- Equity:** Global indices ended mixed over escalated concerns of the spread of COVID-19. Dow surged by 3.2% as US extended its lockdown restrictions to 30 April 2020. Sensex (-4.6%) slipped and ended in red with real estate stocks being 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	0.73	5	(6)	(42)	(115)	(177)
UK	0.34	(3)	(9)	(11)	(53)	(71)
Japan	0.02	0	(5)	17	3	9
Germany	(0.49)	(2)	(12)	12	(31)	(46)
India	6.21	7	(17)	(16)	(34)	(114)
China	2.62	2	(1)	(11)	(53)	(53)
2Y yields (Δ bps)						
US	0.23	(1)	(8)	(68)	(134)	(210)
UK	0.14	0	7	(17)	(45)	(53)
Japan	(0.14)	(2)	5	11	(1)	3
Germany	(0.68)	0	0	9	(8)	(8)
India	5.25	1	(29)	(35)	(58)	(131)
China	1.71	(2)	(16)	(26)	(58)	(68)
Currencies (Δ %)						
EUR	1.1048	(0.8)	3.0	0.2	(1.3)	(1.5)
GBP	1.2414	(0.4)	7.6	(3.2)	(5.3)	(5.3)
JPY	107.76	0.2	3.1	0.1	1.0	3.2
AUD	0.6174	0.1	5.8	(5.2)	(11.7)	(13.2)
INR	75.42	(0.7)	1.1	(4.5)	(5.8)	(9.1)
CNY	7.1003	(0.1)	(0.2)	(1.5)	(1.6)	(5.8)
Equity & Other indices (Δ %)						
Dow	22,327	3.2	20.1	(12.1)	(21.6)	(15.0)
FTSE	5,564	1.0	11.4	(15.5)	(26.7)	(24.0)
DAX	9,816	1.9	12.3	(17.4)	(25.9)	(16.0)
NIKKEI	19,085	(1.6)	13.0	(9.7)	(19.3)	(11.3)
Shanghai Comp	2,747	(0.9)	3.3	(4.6)	(9.6)	(13.3)
SENSEX	28,440	(4.6)	9.5	(25.7)	(31.6)	(26.8)
Brent (US\$/bbl)	22.76	(8.7)	(15.8)	(54.9)	(66.7)	(67.0)
Gold (US\$/oz)	1,623	(0.3)	4.5	2.3	7.1	26.0
CRB Index	371.4	(0.6)	(0.3)	(6.0)	(7.7)	(12.9)
Rogers Agri Index	661.5	(0.8)	(0.5)	(5.9)	(12.9)	(11.7)
LIBOR (3M)*	1.45	8	23	(1)	(46)	(115)
INR 5Y Swap*	5.97	(8)	(33)	(18)	(77)	(49)
India FII data (US\$ mn)						
	27 Mar	26 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(210.1)	(243.0)	(782.6)	(7,578.8)	(9,145.9)	(6,201.8)
FII-Equity	137.5	1.5	(706.4)	(7,404.5)	(5,617.6)	1,771.6

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

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