

MACRO DAILY

05 June 2020

Macro developments

- Central government has released Rs 364bn as GST compensation for states for Dec'19-Feb'20. In addition to this, centre had transferred Rs 1.2tn as compensation between Apr-Nov'19, bringing the total amount transferred to states to Rs 1.5tn versus centre's collection of Rs 956bn as compensation cess in FY20. News reports indicate monthly compensation average has doubled since Aug'19 to Rs140bn versus Rs 60bn in FY19.
- ECB kept policy rates unchanged. However, it scaled up its Pandemic Emergency Purchase Program (PEPP) by € 600bn, in addition to € 750bn announced earlier. The program has also been extended till Jun'21 (Dec'20 earlier). ECB estimates GDP to contract by 8.7% in CY20 (0.8% estimated in Mar'20). Inflation is also likely to be at 0.3% in CY20.
- US good and services trade deficit expanded to US\$ 59.4bn in Apr'20 compared with US\$ 42.3bn in Mar'20. This was on the back of weaker goods exports which plunged to 25.2% (10-year low) versus 9% in Mar'20. Separately, US jobless claims for the week ended 30 May fell to 1.88mn versus 2.13mn in the previous week amidst easing lockdown restrictions.

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Markets

- Bonds:** Except India, global yields closed higher as additional stimulus by EU restored hopes of recovery. US 10Y yield rose by 8bps (0.82%), after improvement in jobless claims against last week. Crude prices rose by 0.5% (US\$ 40/bbl) amidst expectation of production cut. India's 10Y yield fell by 2bps (6.01%). It is trading at flat today, ahead of MPC minutes.
- Currency:** Global currencies closed mixed. EUR gained 0.9% after ECB announced higher than expected stimulus through emergency bond purchase of € 600bn. DXY fell for the fourth straight session on hopes of a global economic recovery. INR depreciated by 0.1%. It is trading higher today in line with its Asian peers.
- Equity:** Barring Nikkei, global indices ended lower as ECB expressed growth concerns for Eurozone and expanded its PEPP program more than expected. FTSE slipped the most followed by Dax. Sensex (0.4%) too ended lower with banking and cap goods stocks being the worst affected. However, it is trading higher 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	0.82	8	13	19	(9)	(129)
UK	0.31	3	10	8	(3)	(52)
Japan	0.04	2	3	6	15	16
Germany	(0.32)	3	10	24	37	(8)
India	6.01	(2)	2	(7)	(23)	(92)
China	2.84	4	14	22	15	(42)
2Y yields (Δ bps)						
US	0.19	0	2	1	(40)	(168)
UK	0.01	1	3	(3)	(15)	(54)
Japan	(0.14)	0	1	0	10	6
Germany	(0.61)	3	3	15	25	5
India	4.40	(2)	(1)	(9)	(99)	(187)
China	1.98	5	40	81	2	(55)
Currencies (Δ %)						
EUR	1.1338	0.9	2.4	4.0	0.9	0.5
GBP	1.2597	0.2	2.2	1.2	(2.8)	(0.8)
JPY	109.15	(0.2)	(1.4)	(2.3)	(2.8)	(0.7)
AUD	0.6942	0.3	4.6	8.0	5.0	(0.5)
INR	75.58	(0.1)	0.2	0.2	(3.1)	(9.1)
CNY	7.1112	0.1	0.5	(0.4)	(2.5)	(2.9)
Equity & Other indices (Δ %)						
Dow	26,282	0	3.5	10.7	0.6	2.2
FTSE	6,341	(0.6)	2.0	10.2	(5.4)	(12.7)
DAX	12,431	(0.5)	5.5	18.8	4.1	4.0
NIKKEI	22,696	0.4	3.6	15.4	6.4	9.3
Shanghai Comp	2,919	(0.1)	2.6	1.7	(5.0)	3.2
SENSEX	33,981	(0.4)	5.5	7.1	(11.7)	(14.0)
Brent (US\$/bbl)	39.99	0.5	13.3	47.0	(20.0)	(35.2)
Gold (US\$/oz)	1,714	0.8	(0.3)	0.7	2.5	28.4
CRB Index	368.4	0.1	0.6	4.9	(7.7)	(11.4)
Rogers Agri Index	681.5	0.9	1.8	5.0	(3.9)	(9.2)
LIBOR (3M)*	0.33	0	(2)	(17)	(67)	(213)
INR 5Y Swap*	5.16	(4)	3	(10)	(65)	(141)
India FII data (US\$ mn)						
	3 Jun	2 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(128.1)	14.6	(90.5)	(90.5)	(14,145.8)	(4,386.3)
FII-Equity	287.0	1,043.9	2,249.4	2,249.4	(2,665.1)	3,937.8

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

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