

MACRO DAILY

06 May 2020

Macro developments

- Government has hiked excise duty on petrol and diesel by Rs 10 (additional excise duty: Rs 8+ SAD: Rs 2) & Rs 13 (additional excise duty: Rs 8+ SAD: Rs 5) respectively. This has been in the wake of falling crude prices (53% in CYTD20). News reports suggest for every Re 1 hike in excise duty on petrol and diesel government's tax revenue will increase by Rs 140bn.
- US non-manufacturing ISM index for Apr'20 dropped to 41.8 (est.: 37.8) from 52.5 in Mar'20. The lowest print since Dec'09 comes against the backdrop of COVID-19 related lockdown in the country. The decline was led by sharp fall in new business activity, new orders and employment. Sectors hit the most include: recreation & entertainment, agriculture and related activities, retail trade and construction.
- RBA left its policy rate unchanged at 0.25%, a record low while maintaining its commitment to keep 3Y bond yield at 0.25%. It also reiterated that policy rate will remain low until employment and growth conditions improve. RBA estimates GDP growth to contract by 10% in H1CY20 and by 6% in CY20 before bouncing back to 6% in CY21. Unemployment rate is also expected to surge to 10% this year.

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Markets

- Bonds:** Global yields closed mixed as lockdown was eased in major European and Asian countries. US 10Y yield rose by 3bps (0.66%). Crude prices also rose by 13.9% (US\$ 31/bbl) as hopes of revival in demand emerge. India's 10Y yield fell a tad by 1bps (6.07%). It is trading at 6.04% today.
- Currency:** Except EUR and GBP, other global currencies closed higher. DXY rose by 0.2% as US ISM non-manufacturing index was better than expected. Phased opening up of some US states also led to improved sentiment. EUR depreciated by 0.6%. INR rose by 0.1%. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring Sensex, other global indices ended higher as countries continue to ease lockdown restrictions. Amongst other indices, Dax (2.5%) surged the most. However, Sensex declined by 0.8% as investors remained worrisome over the delay in the announcement of second fiscal stimulus. It is trading lower today; while other Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.66	3	5	7	(94)	(179)
UK	0.21	(3)	(8)	(11)	(36)	(95)
Japan	(0.02)	0	2	(1)	3	3
Germany	(0.58)	(2)	(11)	(14)	(18)	(54)
India	6.07	(1)	(6)	(23)	(43)	(131)
China	2.52	3	1	(4)	(35)	(84)
2Y yields (Δ bps)						
US	0.19	1	(2)	(4)	(122)	(210)
UK	0.01	(2)	(4)	(8)	(49)	(74)
Japan	(0.14)	0	3	(1)	1	1
Germany	(0.79)	(4)	(10)	(13)	(14)	(19)
India	4.50	0	(2)	(77)	(151)	(227)
China#	1.12	0	(1)	(51)	(111)	(149)
Currencies (Δ %)						
EUR	1.0840	(0.6)	0.2	0.4	(1.8)	(3.1)
GBP	1.2435	(0.1)	0.1	1.4	(4.6)	(4.9)
JPY	106.57	0.2	0.3	1.8	2.7	3.3
AUD	0.6431	0	(0.9)	7.2	(4.6)	(8.3)
INR	75.64	0.1	0.7	0.7	(6.1)	(8.9)
CNY	7.0633	0.2	0.2	0.4	(0.9)	(4.2)
Equity & Other indices (Δ %)						
Dow	23,883	0.6	(0.9)	13.4	(17.1)	(8.0)
FTSE	5,849	1.7	(1.8)	8.0	(21.4)	(19.4)
DAX	10,729	2.5	(0.6)	12.6	(19.2)	(11.3)
NIKKEI	20,194	2.1	2.1	13.3	(12.5)	(7.9)
Shanghai Comp	2,860	1.3	1.8	3.5	2.8	(2.3)
SENSEX	31,454	(0.8)	(2.1)	14.0	(22.9)	(17.8)
Brent (US\$/bbl)	30.97	13.9	51.4	(9.2)	(42.6)	(55.7)
Gold (US\$/oz)	1,706	0.2	(0.1)	5.3	9.9	32.8
CRB Index	350.8	(0.1)	0	(3.3)	(13.1)	(15.9)
Rogers Agri Index	650.8	0.2	1.4	1.5	(11.3)	(8.7)
LIBOR (3M)*	0.50	(4)	(26)	(89)	(124)	(206)
INR 5Y Swap*	5.29	3	7	(69)	(132)	(194)
India FII data (US\$ mn)						
	4 May	30 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(38.9)	(303.7)	(38.9)	(38.9)	(11,382.6)	(1,623.1)
FII-Equity	(123.3)	369.1	(123.3)	(123.3)	(6,756.8)	(153.8)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | # refers to China 1Y yield

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