

MACRO DAILY

08 May 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 122bn and stood at Rs 25.3tn for the week ending 1 May 2020. Reserve money rose by 10% on a YoY basis, compared with 14.2% a year ago. On a FYTD basis, reserve money increased by 1.2% as against 0.6% last year.
- China's exports rose by 3.5% in Apr'20 versus est.: 11% decline and 6.6% decline in Mar'20. Imports were however down by 14.2% in Apr'20 versus est.: 10% decline and 0.9% decline in Mar'20. While sharp dip in imports can be attributed to weak domestic demand and lower commodity prices, surprise gains in exports was on the back of exporters fulfilling previous orders of electronic products post lockdown. PMIs indicate new export orders are scarce, thus exports are expected to take a hit going forward.
- Bank of England (BoE) in its latest meeting kept policy rate unchanged at 0.1%. It also announced to continue with the £ 200bn quantitative easing program, bringing total bond-buying program to £ 645bn. BoE expects growth to fall steeply by 14% in CY20 - sharpest annual downturn since 1706. CPI print is also expected to fall below its targeted 2% in CY20.

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Markets

- **Bonds:** Global yields closed mixed as lockdown restrictions eased globally. US 10Y yield fell by 6bps (0.64%) as jobless claims print remained disappointing. Crude prices fell by 0.9% (US\$ 29/bbl) as benign macro prints globally raised concern of muted demand. India's 10Y yield fell by 5bps (6.03%) amidst expectation of more stimulus from RBI. It is trading at 6.02% today.
- **Currency:** Except JPY and INR, other global currencies closed higher against the dollar as several countries lifted lockdown restrictions. DXY fell by 0.2% ahead of US jobs report. AUD rose the most by 1.5%. INR depreciated by 0.2%. It is trading higher today in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp and Sensex, other global indices ended higher as countries continue to ease lockdown restrictions. European indices surged the most as BoE maintained status quo. However, Sensex (0.8%) ended in red with power and consumer durable stocks falling the most. 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	0.64	(6)	0	(3)	(100)	(180)
UK	0.24	0	0	(10)	(35)	(89)
Japan	0.01	2	4	(2)	2	5
Germany	(0.55)	(4)	4	(12)	(18)	(50)
India	6.03	(5)	(8)	(28)	(42)	(137)
China	2.62	5	10	6	(22)	(69)
2Y yields (Δ bps)						
US	0.14	(4)	(6)	(12)	(131)	(212)
UK	(0.01)	(1)	(2)	(11)	(49)	(74)
Japan	(0.14)	0	4	(3)	(1)	2
Germany	(0.76)	(1)	0	(11)	(12)	(13)
India	4.39	(11)	(17)	(88)	(143)	(235)
China#	1.18	6	6	(45)	(105)	(142)
Currencies (Δ %)						
EUR	1.0834	0.4	(1.1)	0.4	(1.4)	(3.4)
GBP	1.2362	0.1	(1.8)	1.1	(4.4)	(5.0)
JPY	106.28	(0.2)	0.8	2.7	3.4	3.2
AUD	0.6495	1.5	(0.3)	6.7	(3.5)	(7.1)
INR	75.77	(0.2)	(0.9)	0.5	(6.4)	(8.3)
CNY	7.0842	0.3	(0.3)	0.1	(1.6)	(3.8)
Equity & Other indices (Δ %)						
Dow	23,876	0.9	(1.9)	5.3	(18.7)	(7.6)
FTSE	5,936	1.4	0.6	6.3	(20.9)	(17.6)
DAX	10,759	1.4	(0.9)	6.8	(20.7)	(10.1)
NIKKEI	19,675	0.3	(2.6)	5.9	(17.6)	(8.1)
Shanghai Comp	2,872	(0.2)	0.4	3.9	0.2	0.7
SENSEX	31,443	(0.8)	(6.7)	14.0	(23.9)	(16.3)
Brent (US\$/bbl)	29.46	(0.9)	16.6	(10.9)	(46.4)	(58.1)
Gold (US\$/oz)	1,716	1.8	1.8	3.3	9.5	33.6
CRB Index	358.0	1.0	1.4	(1.5)	(11.6)	(13.2)
Rogers Agri Index	656.7	1.2	0.3	1.5	(10.9)	(6.4)
LIBOR (3M)*	0.45	(3)	(11)	(90)	(129)	(209)
INR 5Y Swap*	5.26	(2)	4	(97)	(126)	(184)
India FII data (US\$ mn)						
	5 May	4 May	WTD	MTD	CYTD	FYTD
FII-Debt	(7.7)	(38.9)	(46.6)	(46.6)	(11,390.3)	(1,630.8)
FII-Equity	(42.9)	(123.3)	(166.1)	(166.1)	(6,799.6)	(196.7)

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

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