

## MACRO DAILY

22 April 2020

### Macro developments

- As per news reports, government is likely to announce another stimulus package amounting to Rs 6-8tn (3-4% of GDP). Earlier too government had announced a stimulus of Rs 1.7tn (0.8% of GDP). It is expected to focus on easing credit constraints and providing relief to MSMEs.
- Germany's ZEW economic sentiment index rose to 28.2 in Apr'20 from (-) 49.5 in Mar'20. The current situation index however worsened further to (-) 91.5 points from (-) 43.1 in Mar'20. This is mainly because participants do not expect positive GDP growth till Q3CY20. GDP is estimated to go back to pre-COVID-19 levels only in CY22 now.
- Minutes of RBA's latest policy meet reiterated that the bank awaits the results of considerable monetary and fiscal stimulus already provided. It expects less frequent bond purchase program going forward to maintain the 3Y yield ~0.25%. The bank also expects the economy to contract by 10% in H1CY20, with the highest impact in Q2CY20. Unemployment rate is also estimated at 10%—highest since CY94.

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### Markets

- Bonds:** Global yields broadly closed lower as crash in US crude prices escalated demand for sovereign bonds. US 10Y fell by 3bps (0.58%) as US home sales dropped to a more than 4-year low in Mar'20. Crude prices fell by 15% to an 18-year low at US\$ 22/bbl amidst muted demand. India's 10Y yield closed flat at 6.21% and is trading at 6.20% today.
- Currency:** JPY and DXY closed higher on safe-haven demand as oil prices crashed. Other global currencies closed lower. GBP depreciated by 1.4% to a near 3-week low. INR depreciated to a lifetime low at 76.83/\$ tracking losses in local equity markets. It is trading further lower today in line with other Asian currencies.
- Equity:** Global indices ended lower led by plunge in oil prices and subdued global cues. Dax (4%) dropped the most, followed by Sensex (3.2%). Oil & gas stocks and banking stocks were amongst the worst hit. Sensex is trading higher today; while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	0.58	(3)	(5)	(24)	(122)	(198)
UK	0.29	(4)	0	(23)	(31)	(86)
Japan	(0.06)	(8)	(6)	(6)	1	5
Germany	(0.48)	(3)	(2)	(13)	(23)	(47)
India	6.21	0	(22)	(5)	(44)	(127)
China	2.59	0	3	(10)	(47)	(83)
<b>2Y yields (Δ bps)</b>						
US	0.20	0	(3)	0.20	0	(3)
UK	0.05	(5)	(2)	0.05	(5)	(2)
Japan	(0.15)	(3)	(1)	(0.15)	(3)	(1)
Germany	(0.72)	(5)	(6)	(0.72)	(5)	(6)
India	4.82	(22)	(40)	4.82	(22)	(40)
China	1.22	2	(0)	1.22	2	0
<b>Currencies (Δ %)</b>						
EUR	1.0852	(0.1)	(1.2)	1.6	(2.1)	(3.5)
GBP	1.2272	(1.4)	(2.8)	7.0	(4.4)	(4.2)
JPY	107.35	0.3	(0.1)	3.0	2.3	3.9
AUD	0.6274	(1.0)	(2.6)	9.5	(7.8)	(11.2)
INR	76.83	(0.4)	(0.7)	(1.8)	(7.7)	(9.9)
CNY	7.0920	(0.3)	(0.6)	0.3	(3.0)	(5.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	23,019	(2.7)	(3.9)	23.3	(19.4)	(10.8)
FTSE	5,641	(3.0)	(2.6)	12.0	(24.0)	(22.1)
DAX	10,250	(4.0)	(4.2)	19.6	(21.2)	(12.7)
NIKKEI	19,281	(2.0)	(1.8)	18.8	(18.3)	(11.5)
Shanghai Comp	2,827	(0.9)	0	3.9	(7.9)	(11.3)
SENSEX	30,637	(3.2)	(0.2)	5.8	(23.8)	(18.1)
Brent (US\$/bbl)	21.66	(15.3)	(26.8)	(5.2)	(60.8)	(65.5)
Gold (US\$/oz)	1,685	(0.6)	(2.4)	13.1	8.6	33.0
CRB Index	350.9	0	(1.0)	(6.2)	(14.5)	(17.3)
Rogers Agri Index	645.6	0	(1.0)	(1.7)	(15.5)	(12.5)
LIBOR (3M)*	1.11	(3)	(11)	(10)	(69)	(147)
INR 5Y Swap*	5.32	(25)	(65)	(88)	(145)	(136)
<b>India FII data (US\$ mn)</b>						
	<b>20 Apr</b>	<b>17 Apr</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	201.2	(56.9)	201.2	(788.8)	(10,548.3)	(788.8)
FII-Equity	12.1	(126.3)	12.1	(113.7)	(6,716.7)	(113.7)

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

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