

MACRO DAILY

20 March 2020

Macro developments

- As per news reports, Ministry of Finance is considering a Rs 100-200bn stimulus package to support the aviation sector. The sector has come under pressure due to the recent COVID-19 outbreak and the resulting travel restrictions imposed by several countries. Domestic travel too has fallen. Under this, the government is likely to defer payments of most taxes levied including aviation fuel tax.
- US jobless claims rose by 70,000 to 281,000 for the week ending 14 Mar 2020 vs 211,000 in the previous week. This has been the sharpest increase since 2 Sep 2017, on the back of muted demand over fear of COVID-19. The 4-week moving average also increased by 16,500 to 232,250, showing strain in the labour market conditions.
- In accordance with other major central banks to counter the impact of COVID-19, Indonesia, Taiwan (first since CY16) and Philippines have reduced policy rates to 4.5%, 1.125% and 3.25% respectively. With this, Indonesia and Philippines have now reduced rates by 50bps and 75bps respectively on a CYTD basis. Additionally, Bank of England made a second emergency rate cut to an all-time low of 0.1%.

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Markets

- Bonds:** Global yields closed mixed as stimulus from global central banks continued to combat economic crisis from COVID-19. UK 10Y yield fell the most by 7bps after BOE slashed interest rates to 0.1% (all time low). US 10Y yield fell by 5bps (1.14%). Oil prices rose by 14% (US\$ 28/bbl) supported by US crude stockpiling. India's 10Y yield rose by 11bps (6.41%) amidst concerns of FII-debt outflow. It is trading lower at 6.34% today.
- Currency:** Global currencies closed lower against the dollar. DXY (+1.6%) rose for the 3rd straight session to a 3-year high. Other global currencies hovered around multi-year lows. INR depreciated by (-) 1% to close at a lifetime low at 75.03/\$. However, it is trading higher today in line with other Asian currencies.
- Equity:** Global indices closed mixed on the back of monetary and fiscal measures to curtail the impact of COVID-19. Both Nikkei and Shanghai Comp dropped by (-) 1%. Sensex (-2%) fell the most led by metal stocks. It is trading lower today; while 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	1.14	(5)	34	(44)	(78)	(140)
UK	0.72	(7)	46	8	(8)	(34)
Japan	0.08	0	14	12	8	12
Germany	(0.19)	4	55	21	4	(23)
India	6.41	11	17	2	(34)	(93)
China	2.74	1	11	(16)	(50)	(39)
2Y yields (Δ bps)						
US	0.45	(8)	(3)	(98)	(118)	(196)
UK	0.13	(21)	(7)	(42)	(42)	(57)
Japan	(0.16)	(2)	6	(2)	(6)	(0)
Germany	(0.67)	9	26	(2)	(5)	(13)
India	5.64	12	22	(5)	(18)	(96)
China	1.93	(3)	(4)	(30)	(66)	(47)
Currencies (Δ %)						
EUR	1.0692	(2.0)	(4.4)	(1.3)	(3.9)	(6.0)
GBP	1.1485	(1.1)	(8.6)	(11.7)	(11.7)	(12.4)
JPY	110.71	(2.4)	(5.8)	(0.8)	(1.2)	0.1
AUD	0.5743	(0.5)	(7.9)	(14.5)	(16.6)	(19.2)
INR	75.03	(1.0)	(1.1)	(5.2)	(5.6)	(8.8)
CNY	7.1086	(0.9)	(1.1)	(1.8)	(1.4)	(6.1)
Equity & Other indices (Δ %)						
Dow	20,087	0.9	(5.3)	(31.3)	(29.2)	(22.6)
FTSE	5,152	1.4	(1.6)	(30.7)	(32.0)	(30.0)
DAX	8,610	2.0	(6.0)	(37.5)	(34.8)	(25.5)
NIKKEI	16,553	(1.0)	(10.8)	(29.6)	(30.6)	(23.5)
Shanghai Comp	2,702	(1.0)	(7.6)	(9.4)	(10.4)	(12.9)
SENSEX	28,288	(2.0)	(13.7)	(31.1)	(32.1)	(25.9)
Brent (US\$/bbl)	28.47	14.4	(14.3)	(50.6)	(57.2)	(58.0)
Gold (US\$/oz)	1,471	(1.0)	(6.7)	(7.0)	(0.5)	12.4
CRB Index	373.6	(1.0)	(5.6)	(7.4)	(6.2)	(11.8)
Rogers Agri Index	653.4	1.2	(2.9)	(12.1)	(12.5)	(14.5)
LIBOR (3M)*	1.12	6	34	(58)	(81)	(149)
INR 5Y Swap*	6.32	41	71	(8)	(32)	(32)
India FII data (US\$ mn)						
FII-Debt	(440.8)	(1,103.8)	(3,086.9)	(5,563.9)	(7,131.0)	(4,186.8)
FII-Equity	(680.1)	(494.8)	(1,807.7)	(5,627.3)	(3,840.4)	3,548.8

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

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