

MACRO DAILY

28 December 2018

Macro developments

- Central government's fiscal deficit has reached Rs 7.2tn in Nov'18 on a FYTD basis vs BE of Rs 6.2tn. Centre's tax revenue rose by 10.5% between Apr-Nov'18 vs 5.8% in Apr-Nov'17, mainly led by increase direct tax collection (16.5% vs 13.7% in FYTD18). Indirect tax collections are also showing considerable improvement (5.2% vs -0.4%). In the same period, total expenditure growth slowed to 9.1% in FYTD19 vs 14.9% in FYTD18. This was driven by slowing growth of both capex and revenue expenditure.
- Consumer confidence in the US faded in Dec'18. The index fell to 128.1 vs est. of 133.6 & previous month's level of 136.4. Both consumers' assessment of current and future business conditions declined in Dec'18. Elsewhere, jobless claims for the week ending 22 Dec 2018 declined to 216,000 vs previous week's level of 217,000.
- Japan factory output declined by (-) 1.1% on a MoM basis in Nov'18 vs 2.9% rise in Oct'18. This was mainly led by decline in production of general purpose machinery. A survey of manufacturers by METI indicates that respondents expect output to have risen by 2.2% in Dec'18 but decline by 0.8% in Jan'19.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield declined by 4bps (2.77%) on the back of fading consumer confidence in Dec'18. Crude prices declined by 4% (US\$ 52/bbl) driven by higher US inventory. Indian 10Y yield rose marginally by 1bps to close at 7.28% and was trading at 7.29% today.
- **Currency:** Global currencies closed mixed. DXY ended lower by 0.6% after data showed that US consumer confidence fell to near 3-year low in Dec'18. JPY rose by 0.3% on safe haven demand amidst rising concerns over global growth outlook. INR depreciated by 0.4% on the back of FII outflows. It was however trading higher today, while Asian currencies were trading mixed.
- **Equity:** Barring FTSE (-1.5%) and Shanghai Comp (-0.6%), other global indices ended higher. Nikkei surged by 3.9% followed by Dow (1.1%) which gained on the back of stronger job report. While Asian markets were trading mixed; Sensex was trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.77	(4)	(4)	(29)	(29)	36
UK	1.31	5	4	(8)	(26)	14
Japan	0.03	0	0	(7)	(10)	(3)
Germany	0.23	(2)	0	(12)	(24)	(15)
India	7.28	1	0	(46)	(75)	6
China	3.31	0	(3)	(10)	(32)	(59)
2Y yields (Δ bps)						
US	2.56	(5)	(11)	(27)	(26)	67
UK	0.77	4	4	(1)	(5)	36
Japan	(0.12)	0	2	2	(1)	2
Germany	(0.63)	(2)	(3)	(5)	(10)	2
India	6.83	0	(7)	(49)	(101)	33
China#	2.69	0	2	19	(28)	(116)
Currencies (Δ %)						
EUR	1.1430	0.7	(0.1)	1.2	(1.5)	(3.9)
GBP	1.2644	0.1	(0.1)	(0.8)	(3.0)	(5.6)
JPY	111.01	0.3	0.2	2.4	2.4	2.1
AUD	0.7033	(0.5)	(1.1)	(2.7)	(2.6)	(9.5)
INR	70.35	(0.4)	(0.9)	0.6	2.9	(9.7)
CNY	6.8663	0.3	0.3	1.2	0.0	(4.7)
Equity & Other indices (Δ %)						
DOW	23,139	1.1	1.2	(6.5)	(12.5)	(6.6)
FTSE	6,585	(1.5)	(1.9)	(6.2)	(12.3)	(13.6)
DAX	10,634	0.2	0.2	(6.0)	(13.2)	(18.6)
NIKKEI	20,078	3.9	(1.5)	(8.5)	(16.8)	(12.4)
Shanghai Comp	2,483	(0.6)	(2.1)	(3.6)	(12.0)	(24.2)
SENSEX	35,807	0.4	(1.7)	0.8	(1.2)	5.6
Brent (USD/bbl)	52.16	(4.2)	(4.0)	(13.4)	(36.9)	(21.5)
Gold (USD/oz)	1,276	0.7	1.3	5.0	7.1	(0.9)
CRB Index	410.7	0	(0.5)	(0.6)	(1.4)	(5.1)
Rogers Agri Index	763.0	0.9	(0.7)	(0.1)	(0)	(5.4)
LIBOR (3M)*	2.81	(1)	1	12	43	113
INR 5Yr Swap*	7.22	8	5	(27)	(50)	67
India FII data (US\$ mn)						
	26 Dec	24 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(6.8)	79.6	72.8	730.4	(6,841.7)	(7,087.7)
FII-Equity	(20.6)	(124.4)	(145.0)	284.5	(4,605.3)	(6,730.8)

Source: Bloomberg, Bank of Baroda | #1 year yield is taken, *Indicates change in bps

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