

MACRO DAILY

01 November 2019

Macro developments

- Central government's fiscal deficit reached Rs 6.5tn in H1FY20 vs FY20BE of Rs 7tn. Centre's gross tax revenue growth eased to 4.1% vs 10.1% in H1FY19, owing to slowdown in direct tax collections (5.2% vs 16.9%). Expenditure growth however remained robust (14.1% vs 13.5%), driven by both revenue spending (14% vs 13.8%) & capex (15.3% vs 11.1%).
- Output of eight core industries contracted by (-) 5.2% in Sep'19 from 0.1% in Aug'19, as 7 out of 8 sectors witnessed negative growth. Sharpest drop was seen in the output of coal and refinery products at (-) 20.5% (-8.6% in Aug'19) and (-) 6.7% (2.6% in Aug'19) respectively. On a cumulative basis, the index rose at a slower pace by 1.3% in H1FY20 vs 5.5% in H1FY19. Going ahead, we expect a dismal growth in IIP and the weakness is likely to result in lower GDP growth for Q2FY20.
- BoJ kept its policy rate unchanged at (-) 0.1%, due to uncertainty over inflation remaining below 2% target. Inflation forecast for FY20 was also lowered to 0.5% from 0.8% earlier. BoJ in its forwards guidance has kept space for accommodation to maintain price stability. In a separate print, industrial production rose by 1.4% in Sep'19 vs (-) 1.2% in Aug'19, driven by growth in conveyors and semi-conductor manufacturing equipment.

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Markets

- Bonds:** Global yields closed lower amidst weaker data print from China (PMI) and uncertainty over US-China trade deal. US 10Y yield fell by 8bps (1.69%) post Fed's policy decision and awaiting payroll numbers. Oil prices fell by (-) 0.6% (US\$ 60/bbl) as demand concerns still persist. India's 10Y yield fell by 2bps (6.65%) and is trading lower at 6.63% today.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.3% as uncertainty remained over future rate cuts by Fed. EUR closed unchanged after Euro Area GDP rose by 0.2% in Q3 against est. of 0.1%. INR closed flat. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring Nikkei and Sensex, other global indices closed lower as doubts emerged over US-China trade deal. FTSE gained the most (1.1%) followed by Dow (0.5%). Sensex ended in green (0.2%) led by tech and real estate stocks. It 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
10Y yields (Δ bps)						
US	1.69	(8)	(8)	3	(20)	(144)
UK	0.63	(6)	0	14	4	(83)
Japan	(0.13)	(2)	1	8	0	(26)
Germany	(0.41)	(5)	0	16	4	(81)
India [^]	6.65	(2)	(4)	(5)	23	(117)
China	3.28	(4)	6	14	13	(24)
2Y yields (Δ bps)						
US	1.52	(7)	(5)	(10)	(21)	(132)
UK	0.50	(2)	3	13	5	(27)
Japan	(0.23)	(2)	1	9	(5)	(11)
Germany	(0.66)	(3)	1	11	12	(4)
India	5.49	(2)	(9)	(29)	(52)	(207)
China [#]	2.66	(1)	4	11	8	(18)
Currencies (Δ %)						
EUR	1.1152	0	0.4	2.3	0.6	(2.2)
GBP	1.2942	0.3	0.7	5.3	6.7	(0.5)
JPY	108.03	0.8	0.5	0	(0.6)	4.2
AUD	0.6894	(0.1)	1.1	2.1	1.4	(4.3)
INR	70.93	0	0.1	(0.1)	(2.7)	3.4
CNY	7.0391	0.2	0.4	1.5	(2.0)	(1.7)
Equity & Other indices (Δ %)						
Dow	27,046	(0.5)	0.9	0.5	1.7	6.6
FTSE	7,248	(1.1)	(1.1)	(2.2)	(4.4)	1.9
DAX	12,867	(0.3)	0	3.5	5.0	12.2
NIKKEI	22,927	0.4	0.8	5.4	6.4	5.7
Shanghai Comp	2,929	(0.3)	(0.4)	0.8	0.7	12.4
SENSEX	40,129	0.2	2.8	3.8	8.4	16.5
Brent (US\$/bbl)	60.23	(0.6)	(2.3)	(0.9)	(0.4)	(17.4)
Gold (US\$/oz)	1,513	1.2	0.6	2.8	4.7	22.7
CRB Index	389.5	(0.4)	(0.4)	0.5	(3.1)	(6.8)
Rogers Agri Index	728.9	(0.2)	0.2	2.3	2.4	(6.9)
LIBOR (3M)*	1.91	(2)	(3)	(18)	(38)	(67)
INR 5Y Swap*	6.54	1	(8)	16	(6)	(121)
India FII data (US\$ mn)						
	30 Oct	29 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	67.4	285.3	352.6	564.2	4,537.6	3,993.0
FII-Equity	1,069.8	(57.5)	1,284.6	1,781.0	9,941.8	3,096.6

Source: Bloomberg, Bank of Baroda | [^]7.26% GS 2029 | *Indicates change in bps | #1Y yield

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