

MACRO DAILY

02 July 2019

Macro developments

- GST collections for May'19 reached Rs 999bn compared to Rs 1tn in Apr'19. The marginal decline was on account of lower CGST collections which fell from Rs 346bn in Apr'19 to Rs 468bn in May'19. SGST collections however remained robust at Rs. 503bn in May'19 vs Rs 450bn in Apr'19.
- India's eight core sector (encompassing 40% weight in overall IIP) grew by 5.1% in May'19 compared to 6.3% in Apr'19, on YoY basis. Steel and electricity sector grew at a robust pace of 19.9% & 7.2 in May'19 respectively, compared to 19% & 5.9% in Apr'19. In a separate print, manufacturing PMI print for India was at 52.1 in Jun'19 compared to 52.7 in May'19, driven by moderate pace of increase in new orders and output.
- US ISM manufacturing index declined to 51.7 in Jun'19 compared to 52.1 in May'19. Manufacturing activity in the Eurozone also remained muted as reflected in the PMI reading (3-month low of 47.6 in Jun'19 compared to 47.7 in May'19). Caixin China manufacturing PMI went into contraction, recording 49.4 in Jun'19 as against 50.2 in the previous month. Trade tensions and muted global environment have weighed down sales volume, export orders and production in major economies.

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Markets

- **Bonds:** Global yields closed mixed. Muted manufacturing activity globally and expectation of US-China trade truce kept investors cautious. US 10Y yield rose by 2bps (2.02%). Crude prices declined by (-) 2.2% (US\$ 65/bbl) as global growth concerns outweighed OPEC supply cut fears. India's 10Y yield closed flat at 6.88%. It was trading lower at 6.84% today.
- **Currency:** Barring INR and CNY, most global currencies depreciated amidst growth concerns. DXY strengthened by 1% on expectation of optimistic outcome from US-China trade deal. INR appreciated by 0.1% supported by falling oil prices. It was trading lower today, in line with other Asian currencies.
- **Equity:** Global equity indices closed higher amidst easing trade tensions between US & China. Shanghai Comp rose the most by 2.2%. Dow also edged up by 0.4%. Sensex closed higher by 0.7%, taking global cues. It was trading flat today, while Asian stocks were trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.02	2	1	(10)	(48)	(85)
UK	0.81	(2)	0	(7)	(23)	(44)
Japan	(0.15)	1	1	(5)	(7)	(17)
Germany	(0.36)	(3)	(5)	(16)	(33)	(66)
India	6.88	0	3	(15)	(39)	(103)
China	3.23	(1)	(2)	(7)	8	(24)
2Y yields (Δ bps)						
US	1.79	3	5	(13)	(55)	(76)
UK	0.61	(1)	2	1	(6)	(10)
Japan	(0.22)	0	1	(5)	(5)	(9)
Germany	(0.76)	(1)	(1)	(10)	(16)	(8)
India	6.28	(1)	7	(16)	(24)	(127)
China	2.62	(1)	(2)	9	23	(51)
Currencies (Δ %)						
EUR	1.1286	(0.8)	(1.0)	1.0	0.7	(3.0)
GBP	1.2641	(0.4)	(0.8)	0.1	(3.5)	(3.8)
JPY	108.45	(0.6)	(1.1)	(0.1)	2.6	2.2
AUD	0.6966	(0.8)	0.0	0.4	(2.1)	(5.1)
INR	68.95	0.1	0.6	1.1	(0.3)	(0.2)
CNY	6.8517	0.2	0.4	0.8	(2.1)	(2.8)
Equity & Other indices (Δ %)						
DOW	26,717	0.4	0	7.7	1.7	9.9
FTSE	7,498	1.0	1.1	4.7	2.5	(0.7)
DAX	12,521	1.0	2.0	6.8	7.2	2.3
NIKKEI	21,730	2.1	2.1	5.5	1.0	(0.4)
Shanghai Comp	3,045	2.2	1.2	5.0	(4.0)	9.7
SENSEX	39,687	0.7	1.4	(0.1)	2.1	12.5
Brent (USD/bbl)	65.06	(2.2)	0.3	0.9	(5.7)	(15.8)
Gold (USD/oz)	1,384	(1.8)	(2.5)	6.0	7.5	11.4
CRB Index	406.2	(0.4)	(1.4)	(2.3)	(4.8)	(7.2)
Rogers Agri Index	746.7	(0.6)	(1.8)	(0.7)	(0.3)	(5.2)
LIBOR (3M)*	2.32	0	(1)	(18)	(28)	(2)
INR 5Yr Swap*	6.70	(4)	17	6	24	(97)
India FII data (US\$ mn)						
	28 Jun	27 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	270.7	(190.4)	(48.4)	1,192.6	1,428.3	883.6
FII-Equity	(82.5)	6.6	310.1	148.9	11,338.9	4,493.7

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

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