


**MACRO DAILY**

08 May 2019

**Macro developments**

- India's tax filing data indicates that the total number of returns filed in FY19 were lower at 66.8mn vs 67.4mn in FY18, as the returns filed for previous assessment years declined in FY19 (1.9mn) vs FY18 (12.7mn). This is after an amendment was made to tax law which now allows revised returns of only the relevant assessment year to be filed (Section 139(5) of IT Act, 1961). However, direct tax collections remain buoyant with e-filing of ITRs for FY19 rising to 64.9mn vs 54.7mn in FY18 (+19% YoY).
- Industrial orders in Germany rose by 0.6% in Mar'19 on a MoM basis vs a decline of (-) 4% in Feb'19 and est.: 1.4% rise. This was led by consumer goods (6.4%) and capital goods (1.1%), while new orders for intermediate goods fell by (-) 1.5%. Despite the rise in new orders, manufacturing sector remains weak due to stricter domestic emission rules as well as trade tensions with US.
- Malaysia's central bank cut rates by 25bps to 3% for the first time in over 3 years to support domestic growth and muted inflation print. It also pointed to downside risks to growth and remained cautious over growing uncertainties in global environment. Malaysia is the second bank after India to cut rates. Separately, Australia's central bank kept its policy rate steady.

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**Markets**

- Bonds:** Global yields closed lower driven by weaker sentiments surrounding US-China trade dispute. US 10Y yield declined by 5bps (2.46%). Crude prices declined by (-) 2% (US\$ 70/bbl) on the fear of weaker global demand. India's 7.26GS2029 declined by 1bps (7.38%) supported by buying from foreign and private banks. It was trading at 7.39% today.
- Currency:** Global currencies closed mixed. DXY (0.1%) and JPY (0.5%) rose on escalating trade tensions between US and China. AUD also rose by 0.3% after RBA kept its policy rate on hold. INR closed unchanged. It opened marginally lower today, while Asian currencies were trading mixed.
- Equity:** Barring Shanghai Comp, global equity indices closed lower as investors' turned jittery over renewed trade war concerns. Dow tanked by (-) 1.8% followed by DAX (-1.6%). Both Asian markets and Sensex were trading lower today as China reported weaker than anticipated exports and trade surplus data.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

| Particulars                             | Current      | 1D           | 1W         | 1M         | 3M          | 12M         |
|---|--------------|--------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |              |              |            |            |             |             |
| US                                      | 2.46         | (5)          | (5)        | (4)        | (24)        | (52)        |
| UK                                      | 1.16         | (6)          | (3)        | 4          | (7)         | (29)        |
| Japan                                   | (0.05)       | (1)          | (1)        | (2)        | (4)         | (11)        |
| Germany                                 | (0.04)       | (4)          | (5)        | (5)        | (21)        | (60)        |
| India#                                  | 7.48         | (2)          | (5)        | (3)        | (13)        | (10)        |
| China                                   | 3.36         | (1)          | (4)        | 10         | 25          | (34)        |
| <b>2Y yields (Δ bps)</b>                |              |              |            |            |             |             |
| US                                      | 2.28         | (1)          | 2          | (5)        | (24)        | (23)        |
| UK                                      | 0.75         | (4)          | (1)        | 4          | 0           | (5)         |
| Japan                                   | (0.15)       | 0            | 0          | 0          | 1           | (3)         |
| Germany                                 | (0.61)       | (1)          | (2)        | (4)        | (4)         | (3)         |
| India                                   | 6.77         | 0            | (3)        | 18         | (19)        | (67)        |
| China**                                 | 2.62         | 0            | (4)        | 21         | 22          | (29)        |
| <b>Currencies (Δ %)</b>                 |              |              |            |            |             |             |
| EUR                                     | 1.1191       | (0.1)        | (0.2)      | (0.2)      | (1.9)       | (5.7)       |
| GBP                                     | 1.3075       | (0.2)        | 0.3        | 0.3        | 1.0         | (3.5)       |
| JPY                                     | 110.26       | 0.5          | 1.0        | 1.3        | (0.3)       | (1.0)       |
| AUD                                     | 0.7012       | 0.3          | (0.5)      | (1.3)      | (3.1)       | (5.9)       |
| INR                                     | 69.43        | 0            | 0.2        | (0.3)      | 3.0         | (3.5)       |
| CNY                                     | 6.7769       | (0.2)        | (0.6)      | (0.9)      | (0.5)       | (6.4)       |
| <b>Equity &amp; Other indices (Δ %)</b> |              |              |            |            |             |             |
| DOW                                     | 25,965       | (1.8)        | (2.4)      | (1.7)      | 2.2         | 6.6         |
| FTSE                                    | 7,260        | (1.2)        | (2.1)      | (2.5)      | 1.2         | (4.0)       |
| DAX                                     | 12,093       | (1.6)        | (2.0)      | 0.7        | 6.4         | (6.3)       |
| NIKKEI                                  | 21,924       | (1.5)        | (1.5)      | 0.5        | 5.2         | (2.6)       |
| Shanghai Comp                           | 2,926        | 0.7          | (4.9)      | (9.9)      | 11.8        | (7.4)       |
| SENSEX                                  | 38,277       | (0.8)        | (1.9)      | (1.5)      | 4.5         | 8.7         |
| Brent (USD/bbl)                         | 69.88        | (1.9)        | (4.0)      | (0.7)      | 12.7        | (6.6)       |
| Gold (USD/oz)                           | 1,284        | 0.3          | 0.1        | (0.6)      | (2.3)       | (2.3)       |
| CRB Index                               | 417.3        | (0.1)        | (1.1)      | (1.8)      | 0.8         | (6.0)       |
| Rogers Agri Index                       | 712.6        | 0            | (1.3)      | (5.1)      | (8.7)       | (16.1)      |
| LIBOR (3M)*                             | 2.56         | (1)          | (2)        | (3)        | (18)        | 21          |
| INR 5Yr Swap*                           | 7.23         | (1)          | 13         | 88         | 1           | 15          |
| <b>India FII data (US\$ mn)</b>         |              |              |            |            |             |             |
|   | <b>6 May</b> | <b>3 May</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | (0.3)        | (628.6)      | (0.3)      | (647.7)    | (949.0)     | (1,965.3)   |
| FII-Equity                              | 44.5         | (13.0)       | 44.5       | 109.9      | 9,877.2     | 1,582.5     |

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, # 7.17 GS 2028 security, \*\* 1Y yield. FTSE & Nikkei were closed yesterday.

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