

## MACRO DAILY

05 February 2019

### Macro developments

- Central government's fiscal deficit reached Rs 7tn between Apr-Dec'18 vs Rs 6.3tn in FY19RE or 110.6% of the target. In the same period, tax revenues were up by 10.5% vs 19.5%, led by direct taxes 14.5% vs 19.8%. Indirect tax collection rose by only 6.1% vs targeted 14.3%. Total expenditure growth at 7.8% was also below FY19RE of 14.7%. This was owing to deceleration in capex (-10.5% vs 20.3%). Revenue expenditure rose by 10.8% vs 13.9%.
- US factory orders declined by (-) 0.6% in Nov'18 vs estimate of 0.3% growth (-2.1% decline in Oct'18). This was driven by sharp decline in demand for machinery and electrical equipment. Orders for non-defence capital goods excluding aircraft, declined by (-) 0.6 in Nov'18 (est: -0.1%).
- Japan's services PMI rose to 51.6 in Jan'19 from 51 in Dec'18 led by improvement in business activity, employment levels and stronger demand conditions. The increase in services PMI however was overshadowed by dip in manufacturing sector which tumbled to a 29-month low due to trade worries. Thereby, pulling composite PMI down to 50.9 in Jan'19 from 52 in Dec'18.

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### Markets

- Bonds:** Apart from Japan and China which remained stable, global yields closed higher. US 10Y yield rose by 4bps as increase in non-farm payrolls continued to signal buoyant labour market conditions. Crude prices fell by (-) 0.4% (US\$ 63/bbl). Indian 10Y yield closed higher by 6bps (7.67%) as government announced its revised auction calendar for Feb-Mar'19 to raise Rs 960bn. It was trading at 7.64% today.
- Currency:** Global currencies closed lower as dollar strengthened. DXY rose by 0.3% as investor sentiments remained upbeat after stronger payroll and manufacturing data even as factory orders dipped. INR depreciated the most (-0.8%) on the back of a stronger dollar and fiscal concerns. It however opened higher today, while Asian currencies were trading mixed.
- Equity:** Barring Dax which closed flat, other indices ended higher as investors remained optimistic towards the US-Sino trade talks. Dow climbed by 0.7% ahead of the earning season, followed by Nikkei (0.5%) and Sensex (0.3%). Both Asian markets (ex-China) and Sensex were trading lower today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.72	4	(2)	6	(48)	2
UK	1.28	3	1	0	(22)	(28)
Japan	(0.01)	0	(1)	3	(14)	(9)
Germany	0.18	1	(3)	(3)	(25)	(56)
India	7.67	6	13	22	(14)	6
China	3.11	0	(3)	(3)	(43)	(81)
<b>2Y yields (Δ bps)</b>						
US	2.54	3	(5)	4	(37)	51
UK	0.79	1	1	3	(2)	15
Japan	(0.17)	0	(1)	1	(4)	(4)
Germany	(0.57)	1	1	3	4	(1)
India	7.03	4	4	19	(50)	2
China	2.61	1	2	(15)	(50)	(97)
<b>Currencies (Δ %)</b>						
EUR	1.1438	(0.2)	0.1	0.4	0.3	(7.5)
GBP	1.3037	(0.3)	(1.0)	2.5	0	(6.6)
JPY	109.89	(0.4)	(0.5)	(1.3)	2.9	(0.7)
AUD	0.7226	(0.3)	0.8	1.6	0.2	(8.3)
INR	71.81	(0.8)	(1.0)	(3.0)	1.8	(12.1)
CNY	6.7454	(0.7)	0	1.8	2.6	(7.2)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,239	0.7	2.9	7.7	(0.9)	3.7
FTSE	7,034	0.2	4.3	2.9	(1.0)	(4.1)
DAX	11,177	0	(0.3)	3.8	(2.8)	(11.9)
NIKKEI	20,884	0.5	1.1	6.8	(4.6)	(7.9)
Shanghai Comp	2,618	1.3	0.8	4.1	(1.8)	(24.9)
SENSEX	36,583	0.3	2.6	2.5	4.7	5.3
Brent (USD/bbl)	62.51	(0.4)	4.3	9.6	(14.6)	(7.6)
Gold (USD/oz)	1,312	(0.4)	0.7	2.0	6.6	(2.0)
CRB Index	413.5	0.1	0.2	0.1	(1.3)	(6.6)
Rogers Agri Index	779.2	0.3	0.2	1.5	(1)	(4.7)
LIBOR (3M)*	2.73	0	(2)	(7)	14	94
INR 5Yr Swap*	7.24	2	6	4	(49)	4
<b>India FII data (US\$ mn)</b>						
	<b>1 Feb</b>	<b>31 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	67.7	(13.6)	(16.4)	67.7	(299.4)	(7,290.1)
FII-Equity	169.7	387.9	540.7	169.7	94.3	(6,588.5)

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

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