

## MACRO DAILY

11 March 2020

### Macro developments

- As per news reports, government may bring down the tax rate on dividend income for domestic investors from 43% to 20% in the highest tax bracket. Foreign investors on the other hand, are currently taxed between 5-15% on dividends depending on the tax treaty. The move is likely to create a level playing field for both domestic and foreign investors.
- China's PPI fell by (-) 0.4% in Feb'20 vs est.: (-) 0.3% and 0.1% increase in Jan'20. Sharp decline in global commodity prices led by muted demand (COVID-19) was a drag. Headline CPI also eased marginally to 5.2% in Feb'20 from 5.4% in Jan'20. The elevated levels are mainly owing to higher food inflation, and hygiene materials. Core inflation is down to 10-year low of 1%, as demand cools off further.
- Euro Area's GDP slowed to 0.1% in Q4CY19 from 0.3% in Q3CY19. Household final consumption expenditure rose by 0.1% vs 0.5% and exports decelerated by 0.4% vs 0.6% for the same period. For CY19, seasonally adjusted GDP was up 1.2% compared with 1.9% growth seen in CY18. Employment levels also rose at a slow pace (1.2% vs 1.5%) in CY19.

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### Markets

- Bonds:** Global yields broadly closed higher over expected stimulus package from the US. This led its 10Y yield to rise sharply by 26bps (0.8%). Oil prices rose by 8.3% (US\$ 37/bbl) as investors hope for positive outcome from OPEC+ talks and US production cut may be forthcoming. India's 10Y yield is also trading 7bps higher at 6.13% today, following global cues.
- Currency:** Global currencies closed lower as dollar bounced back. DXY rose by 1.6% from a more than 18-month low, on rising hopes of government stimulus package. JPY depreciated sharply by (-) 3.2%. After falling to its lowest since Oct'18, INR opened higher today. Asian currencies are also trading higher.
- Equity:** Global indices closed mixed as markets hope for announcements of government stimulus to counter the impact of COVID-19. Dow (4.9%) rebounded and rose the most. Sensex ended in red on Monday, dragged by metals and oil & gas 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
<b>10Y yields (Δ bps)</b>						
US	0.80	26	(20)	(78)	(104)	(180)
UK	0.24	8	(15)	(33)	(56)	(92)
Japan	(0.05)	12	6	(1)	(4)	(2)
Germany	(0.79)	7	(17)	(40)	(50)	(85)
India**	6.07	(12)	(28)	(38)	(60)	(129)
China	2.62	8	(15)	(19)	(59)	(54)
<b>2Y yields (Δ bps)</b>						
US	0.53	15	(16)	(87)	(112)	(192)
UK	0.17	8	(6)	(33)	(43)	(55)
Japan	(0.24)	7	(1)	(10)	(13)	(9)
Germany	(0.96)	5	(15)	(31)	(32)	(41)
India**	5.29	(6)	(27)	(48)	(44)	(137)
China	1.97	0	(33)	(32)	(63)	(44)
<b>Currencies (Δ %)</b>						
EUR	1.1281	(1.5)	1.0	3.1	1.7	(0.1)
GBP	1.2911	(1.6)	0.8	0.1	(1.9)	(1.3)
JPY	105.64	(3.2)	1.4	3.7	2.8	5.1
AUD	0.6505	(1.2)	(1.2)	(2.5)	(4.5)	(8.1)
INR**	74.09	(0.4)	(1.9)	(3.7)	(4.3)	(6.0)
CNY	6.9581	(0.2)	0.1	0.6	1.1	(3.7)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	25,018	4.9	(3.5)	(14.0)	(10.3)	(2.1)
FTSE	5,960	(0.1)	(11.3)	(20.2)	(17.4)	(16.7)
DAX	10,475	(1.4)	(12.6)	(22.5)	(19.9)	(9.1)
NIKKEI	19,867	0.9	(5.8)	(16.6)	(15.1)	(7.6)
Shanghai Comp	2,997	1.8	0.1	4.2	2.7	(2.1)
SENSEX**	35,635	(5.2)	(6.6)	(13.4)	(12.0)	(3.8)
Brent (US\$/bbl)	37.22	8.3	(28.2)	(31.7)	(42.2)	(44.2)
Gold (US\$/oz)	1,649	(1.8)	0.5	5.0	12.6	26.7
CRB Index	396.0	0.2	(0.8)	(1.4)	0.7	(5.1)
Rogers Agri Index	693.5	0.9	(2.9)	(6.1)	(5.3)	(7.4)
LIBOR (3M)*	0.77	(13)	(49)	(96)	(112)	(184)
INR 5Y Swap*	5.69	5	(36)	(76)	(84)	(120)
<b>India FII data (US\$ mn)</b>						
	<b>6 Mar</b>	<b>5 Mar</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	5.8	41.9	(246.6)	(246.6)	(1,813.7)	1,130.4
FII-Equity	(472.5)	(305.4)	(1,246.4)	(1,246.4)	540.5	7,929.7

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps| \*\*Markets in India were closed on 10.03.2020

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