

MACRO DAILY

18 February 2020

Macro developments

- Government has suggested changes to incentivise Vivaad se Vishwas scheme to resolve pending tax disputes worth Rs 9.32tn. For appeals made by taxpayers, entire disputed amount have to be paid till 31 Mar 2020, however the penalty and interest will be waived off. If the amount is paid post 31 Mar 2020, an additional 10% of the disputed amount will be levied. If the appeal is made by tax department, 50% of the disputed amount will be paid by the tax payer before the due date and 55% post the due date.
- China's new home prices rose by 0.2% in Jan'20 vs 0.3% in Dec'19 on MoM basis. The dip was largely owing to COVID-19 outbreak and was most visible in tier 2 and 3 cities. Prices in tier 1 cities rose steadily (0.4% vs 0.2% in Dec'19). On YoY basis, overall prices too eased (6.3% vs 6.6% in Dec'19). It is expected that impact will be pronounced in Feb'20 as new home sales have plummeted more than (-) 90% in the 1st week alone.
- Japan's GDP contracted by (-) 1.6% in Q4CY19 vs 0.1% in Q3CY19. On an annualised basis, the plunge was even deeper at (-) 6.3%, owing to the impact of sales tax hike and Typhoon Hagibis. Thailand's GDP also eased to 1.6% in Q4CY19 vs 2.6% in Q3. In CY19 growth eased to 5-year low of 2.4%. Singapore's GDP forecast has also been downgraded to (-) 0.5-1.5% in CY20 (earlier 0.5-2.5%) due to impact of COVID-19 outbreak.

Dipanwita Mazumdar

dipanwita.mazumdar@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields traded in a narrow range as fear of COVID-19 still linger and global growth indicators remained weak. Oil prices rose by 0.6% (US\$ 58/bbl) over supply disruption in Libya. India's 10Y yield rose by 2bps (6.39%) due to selling by PSBs and MFs. It is trading at 6.4% today.
- Currency:** Global currencies closed mixed. JPY depreciated by (-) 0.1% as Japan's Q4CY19 GDP disappointed. GBP too ended lower by (-) 0.3% ahead of Brexit trade negotiations. INR rose by 0.1%. However, it is trading lower today in line with other Asian currencies.
- Equity:** Barring Nikkei and Sensex, global indices closed higher after PBOC reduced rates. However, Sensex (-0.5%) too slipped in red with oil & gas stocks falling the most. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.58	0	2	(24)	(23)	(108)
UK	0.64	1	8	1	(11)	(53)
Japan	(0.03)	(1)	2	(4)	4	(1)
Germany	(0.40)	0	1	(19)	(7)	(51)
India	6.39	2	(5)	(24)	(9)	(98)
China	2.89	3	10	(20)	(30)	(22)
2Y yields (Δ bps)						
US	1.43	0	3	(13)	(17)	(109)
UK	0.55	1	6	13	(2)	(18)
Japan	(0.14)	(1)	2	(1)	6	3
Germany	(0.65)	0	(1)	(6)	(3)	(8)
India	5.69	(2)	(7)	(48)	22	(105)
China	2.23	(7)	(5)	(42)	(36)	(19)
Currencies (Δ %)						
EUR	1.0836	0	(0.7)	(2.3)	(2.1)	(4.2)
GBP	1.3008	(0.3)	0.7	(0.1)	0.4	0.6
JPY	109.88	(0.1)	(0.1)	0.2	(1.1)	0.7
AUD	0.6714	0	0.4	(2.4)	(1.4)	(5.8)
INR	71.29	0.1	0	(0.3)	0.8	0.1
CNY	6.9813	0.1	0	(1.8)	0.6	(3.2)
Equity & Other indices (Δ %)						
Dow#	29,398	(0.1)	0.4	0.2	4.9	13.6
FTSE	7,433	0.3	(0.2)	(3.1)	1.7	3.0
DAX	13,784	0.3	2.1	1.9	4.4	22.0
NIKKEI	23,523	(0.7)	(0.7)	(2.2)	0.5	10.5
Shanghai Comp	2,984	2.3	3.2	(3.0)	2.6	8.3
SENSEX	41,056	(0.5)	0.2	(2.1)	1.9	15.7
Brent (US\$/bbl)	57.67	0.6	8.3	(11.1)	(7.6)	(13.3)
Gold (US\$/oz)	1,581	(0.2)	0.6	1.5	7.4	19.2
CRB Index	401.1	(0.2)	(0.1)	(2.3)	3.1	(3.0)
Rogers Agri Index	736.7	(0.2)	(0.2)	(3.6)	1.6	(3.5)
LIBOR (3M)*	1.69	0	(2)	(13)	(21)	(95)
INR 5Y Swap*	6.40	2	(5)	(38)	(7)	(65)
India FII data (US\$ mn)						
	14 Feb	13 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	185.1	453.7	848.4	1,974.9	406.1	3,350.2
FII-Equity	(160.0)	92.8	72.1	1,916.3	3,288.9	10,678.1

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, #Dow was closed on 17.02.2020

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com