

MACRO DAILY

22 January 2020

Macro developments

- According to news reports, direct tax collections on FYTD basis (till 15 Jan 2020) are down by (-) 5.2% to Rs 7.3tn vs BE of Rs 13.4tn. This trend is unprecedented as collections were up by 12.5%, 18.6% and 14.9% in the same period in FY17, FY18 and FY19 respectively. While the shortfall is largely driven by lower corporate tax collections, income tax receipts are also seeing a slowdown at 6.5% vs BE of 23.3%.
- UNCTAD's report showed global FDI fell to US\$ 1.39tn in CY19 vs US\$ 1.41tn in CY18. This was on account of subdued global growth and concerns over protectionist policies. However, outlook for CY20 would improve with fears eventually waning out. India was among the top 10 recipients of FDI with US\$ 49bn inflows in CY19 vs US\$ 42bn in CY18.
- Germany's ZEW economic sentiment indicator rose sharply in Jan'20 to 26.7 (highest since Jul'15) from 10.7 in Dec'19. The improvement was on the back of settlement of US-China trade dispute and less than expected impact of trade war on CY19 GDP growth. As a result, Germany's current economic condition index also rose to (-) 9.5 from (-) 19.9 in Dec'19.

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Markets

- **Bonds:** Global yields closed lower. US 10Y yield fell by 5bps (1.77%). UK 10Y yield fell by 2bps (0.63%) as labour market conditions remained buoyant. Oil prices fell by 0.9% (US\$ 65/bbl) amidst reports by EIA over rising shale production. India's 10Y yield fell by 1bps (6.64%). It is trading at 6.63% today.
- **Currency:** Except GBP and JPY, other global currencies closed lower on fears of a virus outbreak in China. CNY fell sharply by (-) 0.6%. GBP however gained (+ 0.3%) supported by robust labour data. INR depreciated by (-) 0.1%. It is trading higher today, while other Asian currencies are trading mixed.
- **Equity:** Barring Dax, global indices closed lower as investors turned cautious with the recent outbreak of the coronavirus in China. Shanghai Comp (-1.1%) dropped the most, followed by Nikkei (-0.9%). Both Dow and FTSE slipped by (-) 0.5% each. Sensex too ended in red (-0.5%). 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
10Y yields (Δ bps)						
US	1.77	(5)	(4)	(14)	1	(96)
UK	0.63	(2)	(9)	(15)	(8)	(69)
Japan	0.01	(1)	(1)	(1)	13	0
Germany	(0.25)	(3)	(8)	0	12	(48)
India	6.64	(1)	(3)	4	9	(67)
China	3.04	(1)	(6)	(16)	(18)	(8)
2Y yields (Δ bps)						
US	1.53	(3)	(4)	(10)	(6)	(106)
UK	0.43	0	(7)	(12)	(10)	(37)
Japan	(0.12)	0	0	(3)	11	4
Germany	(0.58)	1	0	5	8	1
India	6.17	0	(3)	29	60	(85)
China	2.23	(7)	(5)	(36)	(37)	(19)
Currencies (Δ %)						
EUR	1.1082	(0.1)	(0.4)	0.0	(0.4)	(2.4)
GBP	1.3050	0.3	0.2	0.4	1.4	0.7
JPY	109.87	0.3	0.1	(0.4)	(1.3)	(0.5)
AUD	0.6845	(0.4)	(0.8)	(0.8)	(0.1)	(3.9)
INR	71.21	(0.1)	(0.5)	(0.1)	(0.4)	0.3
CNY	6.9058	(0.6)	(0.3)	1.4	2.4	(1.4)
Equity & Other indices (Δ %)						
Dow	29,196	(0.5)	0.9	2.6	9.0	19.6
FTSE	7,611	(0.5)	(0.2)	0.4	5.5	10.3
DAX	13,556	0.1	0.7	1.8	6.3	22.2
NIKKEI	23,865	(0.9)	(0.7)	0.2	5.8	15.7
Shanghai Comp	3,052	(1.4)	(1.8)	1.6	3.3	18.3
SENSEX	41,324	(0.5)	(1.5)	(0.9)	6.1	13.4
Brent (US\$/bbl)	64.59	(0.9)	0.2	(2.3)	8.2	5.0
Gold (US\$/oz)	1,558	(0.2)	0.8	5.4	4.7	21.2
CRB Index	410.7	0	0	3.1	4.7	0.1
Rogers Agri Index	761.5	(0.3)	(0.5)	1.9	4.9	(1.6)
LIBOR (3M)*	1.80	(2)	(4)	(13)	(13)	(98)
INR 5Y Swap*	6.74	(3)	(11)	11	20	(46)
India FII data (US\$ mn)						
	20 Jan	17 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	13.1	(438.5)	13.1	(1,558.1)	(1,558.1)	1,386.0
FII-Equity	183.2	(200.0)	183.2	1,698.1	1,698.1	9,087.3

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

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