


MACRO DAILY

10 April 2019

Macro developments

- As per news reports, India's fiscal deficit is estimated to have met the FY19RE target of 3.4% (of GDP), with the help of lower expenditure and higher borrowings from NSSF. In terms of revenue collections, government is estimating to miss direct tax collection target by Rs 500bn and indirect tax collection by Rs 650bn. However, higher non-tax revenues and capital receipts (disinvestment) are expected to meet the revenue shortfall.
- IMF has revised its global growth projection downward to 3.3% in CY19 vs 3.5% earlier. This has been on the back of slowing global growth, such as US (2.3% in CY19 vs 2.5% CY18) and Euro Area (1.3% in CY19 vs 1.6% CY18). Uncertainties emanating from trade tensions and Brexit pose significant downside risks. While China's growth projection has been revised upward to 6.3% vs 6.2%, India's has been revised downward to 7.3% from 7.5% earlier.
- Japan's core machinery orders rebounded in Feb'19 after falling for four months driven by a 3.5% rise in manufacturing orders (-1.9% in Jan'19). Core machinery orders rose by 1.8% in Feb'19 vs (-) 5.4% in Jan'19 and est.: 2.8%. Despite the increase, growth is expected to remain benign as slowing global economy & US-China trade war weigh on business investment plans.

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Markets

- **Bonds:** Barring China, global yields closed lower. This was driven by projection of slowdown in global growth by IMF and escalating trade tensions between US & EU. US 10Y yield declined by 2bps (2.5%). Crude prices fell by (-) 0.7% to close at US\$ 71/bbl. India's 7.26GS2029 yield declined by 3bps (7.37%) taking global cues. It was trading at 7.36% today.
- **Currency:** Except INR, other global currencies traded in a narrow range as the IMF cut its global growth forecasts for CY19. While EUR, AUD and DXY closed flat, JPY (0.3%) and CNY (0.1%) edged up. INR ended 0.5% higher, tracking gains in local equity markets. It was trading even higher today, while Asian currencies were trading mixed.
- **Equity:** Apart from Sensex and Nikkei, global indices closed lower on the back of renewed concerns surrounding global economic slowdown as IMF revised its global growth forecast downwards. Sensex advanced by 0.6% with PSU bank and realty stocks gaining the most. Both Asian markets and Sensex were trading lower in the morning session today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.50	(2)	3	(14)	(23)	(30)
UK	1.10	(1)	10	(8)	(17)	(30)
Japan	(0.05)	0	1	(2)	(6)	(8)
Germany	(0.01)	(2)	4	(8)	(24)	(53)
India#	7.53	(3)	11	2	8	16
China	3.30	5	13	15	16	(43)
2Y yields (Δ bps)						
US	2.35	(1)	5	(13)	(24)	4
UK	0.70	(1)	7	(4)	(6)	(19)
Japan	(0.16)	(1)	(1)	(1)	(3)	(1)
Germany	(0.58)	0	3	(4)	0	(1)
India	6.65	0	13	(1)	(35)	(19)
China**	2.39	0	1	(1)	(3)	(88)
Currencies (Δ %)						
EUR	1.1263	0	0.5	0.2	(1.6)	(8.8)
GBP	1.3052	(0.1)	(0.6)	(0.7)	2.6	(7.9)
JPY	111.14	0.3	0.2	0.1	(2.2)	(3.7)
AUD	0.7124	0	0.7	0.8	(0.2)	(8.2)
INR	69.30	0.5	(0.8)	0.8	1.3	(6.6)
CNY	6.7119	0.1	0.2	0.2	2.1	(6.8)
Equity & Other indices (Δ %)						
DOW	26,151	(0.7)	(0.1)	1.9	9.9	7.1
FTSE	7,426	(0.4)	0.5	4.1	8.2	2.2
DAX	11,851	(0.9)	0.8	2.7	9.7	(4.4)
NIKKEI	21,803	0.2	1.4	3.2	7.9	0.0
Shanghai Comp	3,240	(0.2)	2.0	7.0	28.2	1.5
SENSEX	38,939	0.6	(0.3)	5.1	8.2	14.9
Brent (USD/bbl)	70.61	(0.7)	1.8	6.1	20.2	(0.6)
Gold (USD/oz)	1,304	0.5	0.9	0.8	1.5	(2.7)
CRB Index	424.8	(0.1)	(0.4)	2.7	2.7	(3.5)
Rogers Agri Index	747.8	(0.4)	(0.2)	1.1	(3.0)	(11.2)
LIBOR (3M)*	2.58	(1)	(2)	(2)	(20)	24
INR 5Yr Swap*	6.57	13	34	(39)	(65)	(27)
India FII data (US\$ mn)						
	8 Apr	5 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	2.9	(63.4)	2.9	(116.1)	444.1	(116.1)
FII-Equity	17.4	96.8	17.4	1,412.5	8,475.8	1,412.5

Source: Bloomberg, Bank of Baroda Research| *Indicates change in bps, # 7.17 GS 2028 security, ** 1Y yield

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