

MACRO DAILY

11 February 2019

Macro developments

- Centre's direct tax collections between Apr'18-Jan'19 have reached Rs 7.9tn vs FY19RE of Rs 12tn (+19.8%). On FYTD basis, this implies a growth of 16.4% vs 18.4% in the same period last year. In the Jan-Mar quarter, direct tax collections are expected to rise at a faster rate, thereby meeting government's revised fiscal targets. As of FY18 direct tax-GDP ratio is reported to be 5.98%. In FY19, this is expected to have increased further.
- Germany's exports rose by 1.5% on a MoM basis in Dec'18 after falling by (-) 0.3% in Nov'18. Imports also rose by 1.2% in the same period (-1.3% in Nov'18). As a result, trade surplus rose by € 19.4bn vs € 18.4bn in Nov'18. For CY18, exports rose by 3%, beating the record set in CY17, while imports also rose by 5.7%. The data comes as a relief for Germany as it faces headwinds from the US-China trade conflict and slowing global demand.
- Industrial production in France increased by 0.8% on MoM basis vs its previous month's decline of (-) 1.5% and estimate of 0.6% increase. The more than anticipated growth was driven by rise in manufacturing output by 1.1% vs a decline of (-) 1.5% in Nov'18. Within manufacturing, production of transport equipment, coke and refined petroleum drove the growth.

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Markets

- **Bonds:** Except India, global yields closed lower. This was driven by growth concerns amid next round of US-China trade negotiations and collapse in talks between US Democrats and Republicans. Crude prices inched by 0.8% (US\$ 62/bbl). 7.17%GS2028 yield rose by 2bps (7.52%) led by selling from PSBs & private banks. 7.26% GS2029 inched up 1bps (7.33%).
- **Currency:** Global currencies trade closed mixed. Concerns over US-China trade talks and slowing global economy weighed on investor sentiments. While EUR (-0.2%), AUD (-0.2%) and GBP (-0.1%) ended lower, JPY and INR gained 0.1% (Chinese markets were closed for Lunar holidays). INR opened higher today, while Asian currencies were trading mixed.
- **Equity:** Global indices ended lower, led by fears of global economic slowdown and escalated concerns over US-Sino trade relations. Nikkei plummeted by (-) 2% followed by (-) 1.1% slump in Sensex and (-) 1% fall in Dax. While Asian markets were trading mixed, Sensex was trading lower today, on the back of muted global cues.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.63	(2)	(5)	(8)	(55)	(22)
UK	1.15	(3)	(10)	(11)	(34)	(42)
Japan	(0.03)	(2)	(2)	(6)	(15)	(10)
Germany	0.09	(3)	(8)	(19)	(32)	(66)
India#	7.52	2	(9)	5	(24)	3
China	3.11	0	(3)	(7)	(38)	(79)
2Y yields (Δ bps)						
US	2.47	(1)	(4)	(9)	(46)	39
UK	0.71	(1)	(7)	(5)	(7)	5
Japan	(0.16)	(1)	1	(2)	(3)	(2)
Germany	(0.58)	0	0	1	2	(1)
India	6.81	0	(18)	(22)	(65)	(11)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1323	(0.2)	(1.2)	(1.9)	(0.1)	(7.6)
GBP	1.2944	(0.1)	(1.0)	1.2	(0.2)	(6.4)
JPY	109.73	0.1	(0.2)	(1.4)	3.6	(0.9)
AUD	0.7088	(0.2)	(2.2)	(1.1)	(1.9)	(9.3)
INR	71.31	0.2	(0.1)	(1.2)	1.6	(10.7)
CNY	6.7454	(0.7)	0	1.0	3.0	(7.0)
Equity & Other indices (Δ %)						
DOW	25,106	(0.3)	0.2	5.1	(3.4)	3.8
FTSE	7,071	(0.3)	0.7	2.4	(0.5)	(0.3)
DAX	10,907	(1.0)	(2.4)	0.1	(5.4)	(9.9)
NIKKEI	20,333	(2.0)	(2.2)	(0.5)	(8.6)	(4.9)
Shanghai Comp	2,618	1.3	0.6	2.9	0.7	(16.3)
SENSEX	36,546	(1.1)	0.2	0.9	3.9	7.5
Brent (USD/bbl)	62.10	0.8	(1.0)	1.1	(11.5)	(1.1)
Gold (USD/oz)	1,314	0.3	(0.3)	1.6	8.7	(0.2)
CRB Index	413.0	(0.1)	0	0.1	(0.3)	(5.8)
Rogers Agri Index	770.7	(0.2)	(0.8)	(0.6)	(1)	(5.8)
LIBOR (3M)*	2.70	0	(3)	(10)	8	88
INR 5Yr Swap*	7.06	(5)	(16)	(17)	(63)	(1)
India FII data (US\$ mn)						
	7 Feb	6 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(71.6)	(38.0)	(444.0)	(376.3)	(743.4)	(7,734.0)
FII-Equity	55.8	152.7	183.2	352.9	277.5	(6,405.4)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken, China's market was closed for Lunar New Year holiday,

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