


MACRO DAILY

20 February 2019

Macro developments

- In an effort to ease investment climate of start-ups, government has raised the angel tax exemption cap to Rs 0.25bn from the present requirement of Rs 0.10bn. It has also relaxed the definition of start-ups upto 10 years from the current rule of 7 years and has also raised the annual turnover limit by four times to Rs 1bn.
- In a major boost to the electronic and IT segment, cabinet has approved national electronic policy which aims to increase domestic production of electronic goods to US\$ 400bn by 2025 (currently at US\$ 80bn). Several measures ranging from interest subvention, credit guarantee fund scheme, creation of revised electronic manufacturing clusters have been proposed for the same. This will improve India's competitiveness in this sector as electronic imports increased by a whopping 23% in FY18 vs 5% in FY17.
- Investor sentiment in Germany improved slightly to (-) 13.4 in Feb'19 from (-) 15 in Jan'19 (est., -13.7), but remained well below its long-term average of 22.4. The indicator for current economic situation declined sharply to 15 from 27.6 in Jan'19 on the back of weak manufacturing sector and exports. Separate data showed that the Euro Area current account surplus narrowed to a two-year low at € 16bn in Dec'18 from € 23bn in Nov'18.

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Markets

- **Bonds:** Global yields closed mixed. This was driven by concerns over global growth and investors' awaiting the release of Fed minutes. Crude prices fell by (-) 0.1% (US\$ 66/bbl). 7.26%GS2029 increased by 1bps (7.37%) and was trading lower today ahead of RBI minutes.
- **Currency:** Global currencies closed mixed. While DXY closed lower by (-) 0.4%, CNY rose 0.1% on optimism over US-China trade deal. GBP rose by 1.1% amidst expectations that the UK might avoid a hard Brexit. INR depreciated by (-) 0.2% on the back of FII outflows. It was trading higher today, in line with other Asian currencies.
- **Equity:** Barring Sensex and FTSE, global indices ended higher boosted by optimism over the trade talks between US and China. Dow rose by 0.03% buoyed by strong earnings reports. Sensex fell for the 9th straight session ending lower by (-) 0.4%. Both Asian markets and Sensex were trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.63	(3)	(5)	(15)	(43)	(26)
UK	1.17	0	(2)	(15)	(21)	(42)
Japan	(0.03)	(1)	(2)	(4)	(13)	(9)
Germany	0.11	(1)	(3)	(15)	(25)	(63)
India#	7.58	6	6	2	(21)	(9)
China	3.13	1	5	2	(26)	(76)
2Y yields (Δ bps)						
US	2.49	(3)	(2)	(13)	(32)	24
UK	0.74	1	1	(5)	3	5
Japan	(0.18)	(1)	(2)	(1)	(4)	(3)
Germany	(0.57)	0	0	2	3	(4)
India	6.74	3	(6)	(28)	(60)	(21)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1341	0.3	0.1	(0.2)	(0.3)	(8.1)
GBP	1.3062	1.1	1.3	1.3	2.1	(6.7)
JPY	110.63	(0.0)	(0.1)	(0.9)	1.9	(3.1)
AUD	0.7165	0.5	1.0	0.1	(0.7)	(9.1)
INR	71.34	(0.2)	(1.0)	(0.1)	0.2	(10.1)
CNY	6.7586	0.1	0.2	0.6	2.7	(6.4)
Equity & Other indices (Δ %)						
DOW	25,891	0	1.8	6.1	5.8	3.7
FTSE	7,179	(0.6)	0.6	4.0	3.3	(0.9)
DAX	11,309	0.1	1.6	2.0	2.2	(9.4)
NIKKEI	21,303	0.1	2.1	3.3	(1.3)	(2.8)
Shanghai Comp	2,756	0	3.1	6.8	4.1	(15.7)
SENSEX	35,353	(0.4)	(2.2)	(3.0)	(0.3)	4.9
Brent (USD/bbl)	66.45	(0.1)	6.5	8.0	6.3	1.8
Gold (USD/oz)	1,341	1.1	2.3	4.3	9.8	0.9
CRB Index	413.7	0.1	0.5	0.9	(0.7)	(6.2)
Rogers Agri Index	759.6	(0.5)	(1.1)	(1.8)	(1)	(8.6)
LIBOR (3M)*	2.64	(4)	(5)	(14)	(1)	74
INR 5Yr Swap*	7.05	0	0	(14)	(52)	(9)
India FII data (US\$ mn)						
	15 Feb	14 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(92.7)	(73.7)	(34.5)	(109.6)	(476.8)	(7,467.4)
FII-Equity	(374.7)	(94.7)	(482.8)	(16.0)	(91.3)	(6,774.2)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken, Indian markets, apart from Sensex was closed yesterday.

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