


MACRO DAILY

30 April 2019

Macro developments

- According to news reports, services sector have largely gained with the implementation of GST. This was on the back of better utilization of input-tax credit for tax payments as the cash outgo turned was lower for such indirect tax payments. For FY18 (GST transition year), services sector paid more than 70% of their tax liability through this mechanism. This in turn resulted in lower government revenue which however is likely to turn in FY19 as liability rises due to improvement of compliances and also exhaustion of the transition credits from the system.
- US consumer spending surged by 0.9% in Mar'19 compared with 0.1% gain in Feb'19. This was the biggest gain in over a decade driven by uptick in purchases of motor vehicles. With income rising by 0.1% in Mar'19, price pressure continued to remain muted as reflected by core PCE. On a YoY basis, it was up by 1.6% far below the Fed estimate of 2% .
- China's manufacturing PMI eased to 50.1 in Apr'19 from 50.5 in Mar'19. Though the factory activity expanded for a second straight month; albeit at a much slower pace than anticipated. Thereby, signalling concerns about health of the economy. Even construction activity fell despite government's efforts of boosting the infrastructure space by providing the requisite fiscal stimulus. Notably, China's services activity too moderated, however it remained in the expansionary phase.

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Markets

- **Bonds:** Global yields closed higher with US 10Y yield rising by 3bps at 2.53% as consumer spending rebounded with price pressure remaining non-existent. Crude prices inched down marginally by (-) 0.2% (US\$ 72/bbl). India's 7.26GS2029 was trading lower at 7.39% today.
- **Currency:** Except CNY, global currencies closed higher. Better than expected global data print (consumer spending in US) pushed EUR up by 0.3%. DXY closed flat. INR opened marginally higher today, while Asian currencies were trading lower.
- **Equity:** Barring Shanghai Comp, global equity indices broadly closed higher, as trade talks between US and China are expected to resume. Amongst other indices, FTSE (0.2%) gained the most led by strong global cues. While Asian markets were trading mixed today, Sensex was trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.53	3	(6)	12	(22)	(43)
UK	1.16	2	(4)	16	(11)	(26)
Japan	(0.04)	0	(1)	4	(4)	(10)
Germany	0.00	3	(2)	7	(20)	(56)
India#	7.53	(3)	(9)	4	(1)	(24)
China	3.44	3	2	37	28	(21)
2Y yields (Δ bps)						
US	2.29	1	(9)	3	(30)	(20)
UK	0.74	1	(2)	10	(3)	(4)
Japan	(0.15)	0	0	2	1	(2)
Germany	(0.58)	2	(1)	2	0	1
India	6.79	3	8	24	(20)	(54)
China**	2.67	(1)	(2)	29	25	(32)
Currencies (Δ %)						
EUR	1.1186	0.3	(0.6)	(0.3)	(2.1)	(7.4)
GBP	1.2937	0.2	(0.3)	(0.8)	(1.7)	(6.0)
JPY	111.65	(0.1)	0.3	(0.7)	(2.1)	(2.1)
AUD	0.7056	0.2	(1.1)	(0.6)	(1.5)	(6.3)
INR	70.02	0.3	(0.5)	(1.3)	1.5	(5.0)
CNY	6.7336	(0.1)	(0.3)	(0.3)	0.2	(6.3)
Equity & Other indices (Δ %)						
DOW	26,554	0	0.2	2.4	8.3	9.9
FTSE	7,441	0.2	(0.3)	2.2	10.3	(0.9)
DAX	12,328	0.1	0.9	7.0	10.0	(2.3)
NIKKEI	22,259	(0.2)	0.2	5.0	7.8	(0.9)
Shanghai Comp	3,062	(0.8)	(4.7)	(0.9)	17.9	(0.6)
SENSEX	39,067	0.9	1.1	1.0	9.6	11.1
Brent (USD/bbl)	72.04	(0.2)	(2.7)	5.3	20.2	(4.2)
Gold (USD/oz)	1,280	(0.5)	0.4	(1.0)	(1.8)	(2.7)
CRB Index	422.0	(0.1)	(0.5)	(1.1)	2.3	(5.2)
Rogers Agri Index	725.3	(0.5)	(1.7)	(2.5)	(6.7)	(14.1)
LIBOR (3M)*	2.58	0	0	(2)	(17)	22
INR 5Yr Swap*	7.11	(0)	42	65	(7)	1
India FII data (US\$ mn)						
	25 Apr	24 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(21.0)	40.4	(182.9)	(1,025.8)	(9.5)	(1,025.8)
FII-Equity	551.1	120.2	662.8	1,580.3	9,874.9	1,580.3

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security, ** 1Y yield. Indian and Japanese Markets were closed on 29.04.19.

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