


MACRO DAILY

02 January 2019

Macro developments

- In a bid to provide relief to MSME sector, RBI has allowed one-time restructuring of existing MSME loans that are in default but standard as on 1 Jan 2019 and have a maximum exposure of Rs 250mn. The restructuring has to be implemented by 31 Mar 2020 and an additional 5% provision is to be made for the same. The share of NPA in Micro & SME segment rose to 8.7% & 11.5% respectively in May'18 vs 8.4% & 11.1% in Mar'18.
- Total GST collections fell to Rs 947bn in Nov'18 from Rs 976bn in Oct'18 and were also below FYTD average of Rs 959bn. The decline was driven by both CGST (Rs 344bn vs Rs 480bn in Oct'18) and SGST (Rs 433bn vs Rs 561bn in Oct'18). In 8 months of FY19, CGST collections are at Rs 3tn vs budgeted Rs 6tn. States on the other hand are closer to meeting their target with SGST collections at Rs 3.8tn vs budgeted Rs 4.9tn.
- Singapore's Q4CY18 GDP growth slowed to 2.2% on a YoY basis vs 2.3% in Q3, thereby taking CY18 growth to 3.3% vs 3.6% in CY17. On a QoQ annualised basis too, economic growth slowed to 1.6% in Q4 vs 3.5% in Q3. This was largely due to a slowdown seen in the manufacturing sector where growth fell by (-) 8.7% vs 3.1% in Q3.

Markets

- **Bonds:** Apart from India, European and Asian markets were closed for the day. Bond markets remained cautious about how interplay of various factors such as US-China trade dispute, political uncertainty over Brexit and slowdown of global economy would pan out. Crude prices edged up by 3% to close at US\$ 54/bbl. Indian 10Y yields edged up by 5bps (7.42%) due to selling pressure from foreign banks and MFs. It was trading at 7.41% today.
- **Currency:** Global currencies closed mixed. EUR (flat), GBP (-0.1%), JPY (flat) and AUD (0.1%) traded in a thin range in a trading week disrupted by holidays. DXY also ended marginally lower by (-) 0.1%. INR appreciated sharply by 0.5% to close at 69.43/\$ on the back of lower oil prices (-3.1%). It was however trading lower today.
- **Equity:** Global financial markets both in Europe and Asia remained closed on account of New Year. However, domestic index started the year with a bang as it was up by 0.5% and was supported by stronger DII inflows of Rs 1.42bn. Asian markets were trading lower today taking cues from weaker PMI reading from China. Sensex too was trading lower.

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FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.68	(3)	(5)	(29)	(50)	22
UK	1.28	1	1	(4)	(30)	(1)
Japan	0.00	0	(2)	(8)	(14)	(5)
Germany	0.24	1	(1)	(6)	(23)	(23)
India	7.42	5	14	(21)	(61)	3
China	3.31	0	(4)	(7)	(33)	(58)
2Y yields (Δ bps)						
US	2.49	(3)	(7)	(30)	(32)	60
UK	0.75	1	2	(3)	(5)	32
Japan	(0.14)	0	0	(1)	(3)	(1)
Germany	(0.61)	0	(1)	(1)	(5)	2
India	6.86	3	(1)	(38)	(97)	25
China#	2.69	0	1	19	(28)	(114)
Currencies (Δ %)						
EUR	1.1465	0	0.6	1.0	(0.1)	(4.9)
GBP	1.2740	(0.1)	0.5	0.1	(1.5)	(6.3)
JPY	109.74	0	0.5	3.4	4.2	2.3
AUD	0.7053	0.1	0.2	(4.1)	(0.7)	(9.9)
INR	69.43	0.5	1.0	1.5	5.3	(9.4)
CNY	6.8663	0.3	0.5	0.2	0.3	(5.7)
Equity & other indices (Δ %)						
DOW	23,327	1.1	7.0	(9.7)	(11.8)	(5.6)
FTSE	6,728	(0.1)	0.6	(4.7)	(10.4)	(12.5)
DAX	10,559	1.7	(0.7)	(7.9)	(13.8)	(18.0)
NIKKEI	20,015	(0.3)	(0.8)	(11.3)	(17.0)	(12.1)
Shanghai Comp	2,494	0.4	(0.9)	(6.1)	(11.6)	(25.5)
SENSEX	36,255	0.5	2.2	0	0.8	7.2
Brent (USD/bbl)	53.80	3.1	6.6	(12.8)	(37.7)	(19.2)
Gold (USD/oz)	1,283	0	1.1	4.2	7.1	(2.7)
CRB Index	409.2	0.1	(0.3)	(2.2)	(2.0)	(5.7)
Rogers Agri Index	757.7	(0.3)	(0.5)	(2.9)	(3)	(6.5)
LIBOR (3M)*	2.81	1	(1)	6	41	111
INR 5Yr Swap*	7.22	1	2	(38)	(49)	53
India FII data (US\$ mn)						
	31 Dec	30 Dec	WTD	Dec'18	CY18	FYTD
FII-Debt	172.5	(52.1)	172.5	827.5	(6,744.7)	(6,990.6)
FII-Equity	(143.6)	(32.9)	(143.6)	332.4	(4,557.4)	(6,682.9)

Source: Bloomberg, Bank of Baroda | #1 year yield is taken, *Indicates change in bps

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