


**MACRO DAILY**

11 January 2019

**Macro developments**

- In a move to ease the compliance burden on businesses, government has raised the tax exemption limit for firms with turnover of Rs 4mn (previously: Rs 2mn). According to reports, this is likely to benefit over 2mn traders and result in a revenue loss of Rs 52.3bn. Further, government has also enhanced the turnover limit under the composition scheme to Rs 15mn and for services it has been set at Rs 5mn.
- RBI sold US\$ 644mn in the spot market in Nov'18 vs US\$ 7.2bn in Oct'18. In the forwards market, RBI purchased US\$ 1bn vs a sale of US\$ 1.5bn in Oct'18. This is in line with reduced pressure on INR (INR appreciated by 6.3% in Nov'18 vs depreciation of -2.3% in Oct'18). In FYTD19 (Apr-Nov'18), RBI has sold US\$ 26.5bn in spot and US\$ 22.8bn in the forward market so far.
- US jobless claims for the week ending 5 Jan 2019 fell to 216,000 from previous week's revised levels of 233,000. The 4-week moving average, which better captures the impact of partial shutdown of the US government, rose to 221,750 vs 219,250 in the previous week. This is also in line with slowing manufacturing & consumer activity in Dec'18.

**BOB Economics Research**

+91 22 6698 5713

chief.economist@bankofbaroda.com

**Markets**

- **Bonds:** Global yields closed mixed. This has been on the back of slight optimism and progress in US-China trade deal. US 10Y yield rose by 3bps (2.74%) as US jobless claim fell more than expected. Crude prices rose by 0.4% (US\$ 62/bbl). Indian 10Y yields rose marginally by 1bps (7.48%) led by selling from foreign banks & MFs. It was trading at 7.47% today.
- **Currency:** DXY rebounded by 0.3% after Fed Chair hinted that the Fed would continue to shrink its balance sheet size suggesting a further tightening of monetary policy. While EUR (-0.4%), GBP (-0.3%) and JPY (-0.2%) fell against the dollar, CNY (0.4%) AUD (0.2%) and INR (0.1%) strengthened. INR opened higher, in line with other Asian currencies.
- **Equity:** Global equity index closed mixed. This was led by host of factors such as concerns over global growth, volatility in oil prices, US Fed fund rate outlook and ongoing negotiations over US-China trade deal. Sensex declined marginally by 0.3% (36,107) weighed down by banking stocks. However, it was trading higher today along with other Asian stocks.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.74	3	19	(14)	(41)	21
UK	1.27	1	8	9	(40)	(3)
Japan	0.02	(1)	2	(3)	(12)	(5)
Germany	0.26	(2)	10	2	(26)	(33)
India	7.48	1	5	(5)	(51)	22
China	3.15	(2)	(1)	(16)	(44)	(81)
<b>2Y yields (Δ bps)</b>						
US	2.58	2	20	(19)	(27)	60
UK	0.78	2	7	9	(10)	22
Japan	(0.15)	(1)	(1)	(1)	(3)	(2)
Germany	(0.59)	(1)	2	1	(5)	(2)
India	7.00	(2)	18	(13)	(68)	19
China#	2.69	0	1	19	(28)	(116)
<b>Currencies (Δ %)</b>						
EUR	1.1500	(0.4)	0.9	1.6	(0.8)	(4.4)
GBP	1.2747	(0.3)	0.9	2.1	(3.7)	(5.8)
JPY	108.43	(0.2)	(0.7)	4.4	3.3	2.5
AUD	0.7185	0.2	2.6	(0.3)	0.9	(9.0)
INR	70.41	0.1	(0.3)	2.0	5.0	(10.6)
CNY	6.7885	0.4	1.2	1.6	1.5	(4.3)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	24,002	0.5	5.8	(1.5)	(4.2)	(6.1)
FTSE	6,943	0.5	3.7	2.0	(0.9)	(10.6)
DAX	10,922	0.3	4.8	1.3	(5.4)	(17.3)
NIKKEI	20,164	(1.3)	3.1	(4.7)	(10.7)	(15.0)
Shanghai Comp	2,535	(0.4)	2.9	(2.3)	(1.9)	(26.0)
SENSEX	36,107	(0.3)	1.7	2.7	6.2	4.6
Brent (USD/bbl)	61.68	0.4	10.2	2.5	(23.1)	(10.9)
Gold (USD/oz)	1,287	(0.5)	(0.6)	3.5	5.1	(2.7)
CRB Index	411.0	(0.4)	0.0	(0.9)	(1.4)	(6.9)
Rogers Agri Index	769.2	(0.8)	0.9	(1.0)	(2)	(5.0)
LIBOR (3M)*	2.80	(0.7)	(1)	2	36	108
INR 5Yr Swap*	7.23	-	1	(8)	(58)	50
<b>India FII data (US\$ mn)</b>						
	<b>9 Jan</b>	<b>8 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	61.6	(114.8)	(35.7)	7.8	7.8	(6,982.9)
FII-Equity	67.8	(102.4)	9.3	(194.5)	(194.5)	(6,877.4)

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

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

+91 22 6698 5713

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)