

**MACRO DAILY**

23 January 2019

**Macro developments**

- GST council has formed a GoM panel to study revenue shortfall faced by states. As per news reports, out of 31, only 5 N.E. states and Andhra Pradesh have reported an increase in revenue post GST. Other states such as Punjab, J&K, Odisha, Bihar, and Gujarat are facing shortfall in the range of 14-37%. As way of compensation, government had released Rs 482bn in the 9 months of FY18. The same amount has already been released in first 8 months of FYTD19, indicating this year total compensation will be higher.
- BoJ in its latest meeting has decided to continue to hold its policy rates steady (-0.1% for short term interest rate and ~0% for 10Y bond yield). However it lowered its inflation forecast for FY19 (ending Mar'20) & FY20 to 1.4% from previously projected 0.9% & 1.5% respectively. This revision was on account of lower oil prices and slowing global growth.
- Economic sentiment in Germany improved in Dec'18 to (-) 15 from (-) 17.5 in Nov'18, but remained below the long-term average of 22.5. However, assessment of current economic situation deteriorated sharply to 43.5 from 45.3 in Nov'18. This was on the back of slowing growth in the Eurozone and Germany along with global trade dispute and uncertainty around Brexit.

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**Markets**

- **Bonds:** Barring China, global yields closed lower on the back of persisting worries surrounding slowdown in global economy. Crude prices too fell by (-) 2% (US\$ 61.5/bbl). Indian 10Y yield fell by 4bps (7.57%) as India is likely to adhere to fiscal discipline in FY19. It was trading at 7.51% today.
- **Currency:** Global currencies closed mixed amidst growing concerns over global economic outlook. While DXY remained steady, JPY appreciated by 0.3% on safe-haven demand. INR depreciated by (-) 0.2% tracking losses in domestic equities. It was however trading higher today, in line with other Asian currencies.
- **Equity:** Global indices ended lower led by uncertainty over ongoing trade negotiations between US and China. Fears of slowdown in economy pushed Dow lower (-1.2%), followed by European indices. Domestic market too ended lower amidst subdued global cues. Both Asian markets and Sensex were trading today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.74	(5)	3	(5)	(43)	13
UK	1.32	0	6	0	(15)	(3)
Japan	0.00	(1)	(1)	(4)	(15)	(7)
Germany	0.24	(2)	3	(1)	(17)	(33)
India	7.53	(4)	6	25	(36)	28
China	3.12	1	(3)	(21)	(46)	(83)
<b>2Y yields (Δ bps)</b>						
US	2.59	(3)	5	(5)	(29)	55
UK	0.80	1	(1)	3	6	23
Japan	(0.17)	0	(2)	(3)	(6)	(3)
Germany	(0.59)	(1)	3	1	2	(0)
India	7.02	(1)	2	15	(59)	23
China	2.60	0	(3)	(13)	(54)	(98)
<b>Currencies (Δ %)</b>						
EUR	1.1360	0	(0.5)	(0.1)	(1.0)	(7.6)
GBP	1.2954	0.5	0.7	2.4	(0.2)	(7.5)
JPY	109.37	0.3	(0.6)	1.7	2.7	0.9
AUD	0.7124	(0.5)	(1.1)	1.2	0.5	(11.0)
INR	71.44	(0.2)	(0.6)	(1.8)	2.9	(12.0)
CNY	6.8080	(0.1)	(0.7)	1.4	1.9	(6.3)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	24,404	(1.2)	1.4	8.7	(3.1)	(6.9)
FTSE	6,901	(1.0)	0.1	2.7	(0.8)	(10.7)
DAX	11,090	(0.4)	1.8	4.3	(1.6)	(18.2)
NIKKEI	20,623	(0.5)	0.3	2.3	(6.3)	(14.5)
Shanghai Comp	2,580	(1.2)	0.4	2.5	(0.6)	(27.3)
SENSEX	36,445	(0.4)	0.3	2.0	7.7	0.8
Brent (USD/bbl)	61.50	(2.0)	1.4	14.3	(19.5)	(12.1)
Gold (USD/oz)	1,285	0.4	(0.3)	2.2	4.5	(4.2)
CRB Index	410.1	(0.3)	(0.3)	(0.2)	(1.5)	(6.2)
Rogers Agri Index	773.6	(0.4)	1.1	1.6	(2)	(4.9)
LIBOR (3M)*	2.77	0	0	(5)	28	103
INR 5Yr Swap*	7.18	(4)	1	1	(48)	39
<b>India FII data (US\$ mn)</b>						
	<b>21 Jan</b>	<b>18 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(149.5)	154.7	(149.5)	(342.6)	(342.6)	(7,333.2)
FII-Equity	119.1	(271.1)	119.1	(435.4)	(435.4)	(7,118.3)

Source: Bloomberg, Bank of Baroda \*Indicates change in bps

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