

## MACRO DAILY

17 September 2020

### Macro developments

- According to news reports, centre's direct tax collections are down by ~22.4% in H1FY21 so far (15 Sep 2020) and stand at Rs 2.54tn compared with Rs 3.27tn in the same period last year. Within this, the 2 major components, personal income tax and corporate tax collections, stood at Rs 1.5tn and Rs 0.99tn respectively. In Q1FY21 the decline in gross direct tax collection was ~34.1% versus only 3.9% drop in Q1FY20.
- US Fed in its latest policy kept policy rate unchanged (0-0.25%). Fed's dot plot showed that current low rate is expected to persist till CY23. Real GDP is expected to contract by 3.7% in CY20 against 6.5% contraction estimated in Jun'20. Unemployment rate will also be elevated at 7.6%. Core PCE will be at 1.5%, well below the 2% target. In a separate print, US retail sales rose for the 4th consecutive month by 0.6% in Aug'20, however it was lower than estimate of 1% and 0.9% increase in Jul'20.
- Bank of Japan kept policy rates steady at (-) 0.1% in its latest policy meet and kept the target for 10Y G-sec at around 0%. It also made no changes to its asset buying program. However the Bank was more upbeat on the state of economy on the back of gradual resumption in business activity.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (0.7%) as US Fed projected GDP to contract less than what was anticipated in Jun'20. Crude prices rose by 4.2% (US\$ 42/bbl) amidst falling US inventory. India's 10Y yield fell by 4bps (5.99%) led by RBI Governor's comments on willingness to support the economy. It is trading flat today.
- Currency:** Except EUR, other global currencies closed higher against the dollar. DXY rose by 0.2% after US Fed upgraded its growth forecast for CY20. GBP was 0.6% higher ahead of the BoE policy meet. INR rose by 0.2% even as oil prices edged up. However, it is trading lower higher today in line with other Asian currencies.
- Equity:** Barring FTSE and Shanghai Comp, other global indices ended higher as Fed presented an upbeat economic outlook and much higher tolerance for inflation. Amongst other indices, Sensex (1.3%) gained the most led by real estate and auto stocks. However, it is trading lower today inline 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	0.70	2	0	(1)	(4)	(110)
UK	0.21	(1)	(3)	(3)	2	(43)
Japan	0.02	0	(1)	(3)	0	20
Germany	(0.48)	(1)	(2)	(6)	(9)	3
India	5.99	(4)	0	4	16	(63)
China	3.13	2	4	19	25	0
<b>2Y yields (Δ bps)</b>						
US	0.14	0	(1)	(1)	(6)	(163)
UK	(0.06)	0	2	(5)	(1)	(57)
Japan	(0.13)	0	(2)	(3)	1	13
Germany	(0.69)	0	0	(4)	(3)	4
India	4.45	(3)	(5)	20	4	(130)
China	2.62	0	3	36	62	8
<b>Currencies (Δ %)</b>						
EUR	1.1816	(0.3)	0.1	(0.2)	5.1	7.1
GBP	1.2967	0.6	(0.3)	(0.9)	3.3	4.0
JPY	104.95	0.5	1.2	1.5	1.9	3.2
AUD	0.7306	0.1	0.3	1.9	6.1	7.0
INR	73.53	0.2	0	1.8	3.5	(3.2)
CNY	6.7548	0.4	1.1	2.8	4.7	4.7
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,032	0.1	0.3	0.4	7.3	3.3
FTSE	6,078	(0.4)	1.1	(0.2)	(2.8)	(16.9)
DAX	13,255	0.3	0.1	2.7	7.1	7.0
NIKKEI	23,476	0.1	1.9	0.8	4.5	6.9
Shanghai Comp	3,284	(0.4)	0.9	(2.3)	11.9	10.0
SENSEX	39,303	0.7	2.9	3.8	17.3	7.5
Brent (US\$/bbl)	42.22	4.2	3.5	(5.8)	3.7	(33.6)
Gold (US\$/oz)	1,959	0.3	0.6	0.7	13.5	31.1
CRB Index	405.8	0.3	1.7	6.3	11.6	5.7
Rogers Agri Index	748.4	0.7	2.2	5.6	11.2	6.8
LIBOR (3M)*	0.25	1	0	(2)	(7)	(191)
INR 5Y Swap*	5.55	(3)	(3)	21	38	(73)
<b>India FII data (US\$ mn)</b>						
	<b>15 Sep</b>	<b>14 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	119.5	31.2	150.7	318.4	(14,771.6)	(5,012.1)
FII-Equity	252.6	81.8	334.4	513.7	5,321.0	11,924.0

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

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